AFRICA RECOVERY

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WORLD BANK, UNDP WARNINGS ON AFRICA

Renewed focus on anti-poverty policies urged

By Nii K. Bentsi-Enchill

Policies aimed at directly combating poverty in the 1990s are emerging as key elements in forging a common strategy to reverse Africa's sustained crisis.

With over one billion people still mired in absolute poverty, "a sizeable reduction in the incidence of poverty is the highest priority for the international development community," said an end-September meeting of the World Bank/International Monetary Fund Joint Development Committee. This echoed the emphasis placed on collaborative programmes against poverty by five United Nations specialized agencies at an early September meeting in Rome.

The urgency of new policies is underlined in recent reports by the UN Development Programme (UNDP) and the World Bank showing that only in sub-Saharan Africa is the number of poor people expected to grow rapidly in the 1990s. Just stabilizing the current level of poverty would require "extraordinary efforts" from both African governments and international donors, and unlikely annual growth rates in Africa of 5.5 per cent this decade, the Bank adds.

Both UNDP's *Human Development Report 1990* released in May, and the Bank's *World Development Report* published in July urge donors to increase their concessional aid flows if these anti-poverty policies and adjustment programmes are to succeed. Both institutions also state that higher aid should be made conditional on pursuit of these policies.

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UN Africa Recovery/Betty Press

Typically congested, poorly equipped hospital wards are one result of the economic crisis and policy failures of the 1980s.

DEEPER ADJUSTMENT MAY BE NEEDED

Gulf crisis threatens further setbacks to African economies

By Roy Laishley in Washington

There are growing indications that the economic fall-out of the Gulf crisis will imperil African recovery efforts. Even if oil prices quickly fall back to pre-crisis levels, an unlikely scenario, many African countries have already been badly hit. But donors warn that if there is a protracted period of high oil prices, importing countries will either have to pass on higher prices to consumers or cut oil imports, despite efforts underway to make additional financing available to the most seriously affected countries. With slower world growth also expected, there could be a "devastating" impact on output in African economies, with living standards falling even lower, UN officials say.

Africa would be the "worst-affected region," outside the immediate Gulf area, Kenya's Vice-President George Saitoti told the world's finance ministers, assembled for the end-September meetings of the International Monetary Fund (IMF) and World Bank in Washington. "Lower exports, increased costs of oil imports and higher debt-service payments are a vicious combination," he told his audience.

While the small band of African oil exporters is currently benefiting, the sharp rise in oil prices — to some $40 a barrel at the end of September from under $20 in July — is playing havoc with the scarce hard currency resources of the far more numerous oil importers on the continent. From Senegal to Mozambique, governments have been forced to raise petrol, diesel and kerosene prices by as much as 65 per cent. These hikes will, in turn, raise the cost of virtually everything else, from transport and electricity to basic foodstuffs.

Zambia has raised fuel prices by 50 per cent and "there is bound to be another increase," says Finance Minister Gibson Chagaga. Having bought its oil from Kuwait at concessional rates, Mr. Chagaga estimates the increase in oil prices will, at current rates, cost Zambia an extra $120-130 mn a year. Many other African countries

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EXPERTS REPORT CALLS FOR IMPROVED ACCESS TO MARKETS

Commodity sector key to growth

African countries must invest in their commodity sectors if they are to secure the resources needed to transform their economies, declares a report to the UN Secretary-General by an independent group of experts.

Challenging policy thrusts that seek to move African economies away from commodity production, the report, *Africa's Commodity Problems: Towards A Solution*, says, "Without dynamism in that sector which is overwhelmingly the most important in every African economy, transformation of economic structures will remain an idle hope. Instead of neglecting what is the main source of food, income and investible surplus, African policymakers must use commodity production and trade as a motor for expansion."

Many of the report's conclusions are controversial and not all members originally appointed to the Group signed the final version. The report itself catalogues the disastrous history of commodity prices during the 1980s and African countries' continuing heavy dependence upon just one or two products for 90-100 per cent of their hard currency earnings. Nevertheless, the report insists that "real growth opportunities exist in primary commodity production and trade." To take advantage of this, it argues, requires a major shift in attitudes and priorities on the part of African governments and the international community.

"The primary responsibility for transforming African economies lies with African Governments and people themselves," says former Australian prime minister Malcolm Fraser, who was chairman of the Group. "But they cannot do it alone — the international community has a heavy responsibility to supplement their efforts and to ensure that policies external to Africa do not frustrate the significant efforts needed within the region," the report says.

Peter Tearall/Crown Picture Service

Malcolm Fraser, chairman of the Experts Group, with Alex Ashiabor, Group secretary.

The report was commissioned by UN Secretary-General Javier Pérez de Cuéllar in March 1989 in response to a resolution of the UN General Assembly of November 1988 on the Mid-Term Review and appraisal of the implementation of the UN Programme of Action for African Economic Recovery and Development (UN-PAAERD). The request originated from the Assembly of Heads of State and Government of the Organization of African Unity (OAU) in 1988, which called for such a study to be undertaken. The report was presented to the Secretary-General on 14 June after extensive consultations by the 16-member Group with international agencies, commodity bodies and African governments.

A clear commodity strategy needed

Commodities have been at the top of Africa's development agenda for the past quarter of a century. Yet a clear focus on an overall commodity strategy has generally been absent, the report claims. An overall commodity strategy should be designed, primarily by the country concerned and tailored to its particular needs, and effectively implemented as a priority focus within the country's overall development programme, the report argues. It adds that the international community must take the particular strategy of each country into account when planning aid programmes.

The Experts Group makes a series of recommendations designed to further the broad objectives of a commodity strategy — increased food security, diversification, increased processing and improved intra-African and producer/consumer co-operation. These objectives stand the best chance of success if governments minimize their direct involvement, allowing the private sector and individual producers to respond to appropriate incentive structures. The report argues that the major reforms of economic policies and institutions already underway in much of the continent must continue, though one Group member, Egypt's Ismail-Sabri Abdalla, in a letter published with the report, voices his concern over any wholesale "act of faith" in market forces.

The report expresses relative optimism over the prospects for a number of markets for African commodities where consumption is increasing. While supply and demand need to be in balance, new opportunities are opening up — in Eastern Europe and Asia for example — where new marketing initiatives could reap rewards.

African producers must co-operate

The report warns, however, that: "World markets for some traditional exports could not absorb continued vigorous expansion of production in Africa and elsewhere." Over time it is important for African countries to diversify into new products as well as into new markets, the report says.

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AFRICANS CHALLENGE NATURE OF PRESCRIPTIONS

Donors demand political reforms

By Salim Lone in London

Still struggling to cope with the difficult economic reforms required by aid donors, African governments are now being confronted by demands for change in their political systems as a pre-requisite for further assistance. President Mitterrand of France, UK Foreign Secretary Douglas Hurd, US Assistant Secretary of State for African Affairs Herman Cohen, Barber Conable of the World Bank and Michel Camdessus of the International Monetary Fund (IMF), as well as other multilateral bodies, such as the European Community, have said in recent months that aid to African countries should be linked to the expansion of democratic freedoms and improved "governance" in African countries.

"We should use aid as a lever for better government," said Foreign Secretary Hurd in a major policy statement on September 30 which focused largely on Africa. "Donors should discuss in detail [with aid recipients] the mechanisms for safeguarding individual rights" and for the promotion of political pluralism, he said (OAU response, page 29).

If donors actually begin to implement such policies in the near future, it could lead to dramatic changes in a number of African countries, since governments across the continent are already under domestic pressure to provide greater participation and choice in the political system.

Many African leaders and analysts had themselves begun, a year earlier, to point out the link between economic recovery and better, more democratic government. The UN Economic Commission for Africa (ECA), in its *African Alternative Framework to Structural Adjustment Programmes*, published in 1989, cited the lack of democratization as a principal cause of the continent's economic crisis.

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A number of African countries are facing political and economic unrest (above) at the same time as donor officials such as UK Foreign Secretary Douglas Hurd (left) are linking aid to democratization.

At the July 1990 summit of the Organization of African Unity (OAU), leaders acknowledged that more pluralistic and accountable government was essential for economic revival. The current chairman of the OAU, Ugandan President Yoweri Museveni, cited "the prevalence of authoritarian, top-down styles of government" as the first cause of Africa's developmental crisis, in a speech to the World Summit for Children.

Nevertheless, many African leaders challenge the right of donors to impose particular forms of democratic government as a condition of further aid, particularly in the absence of any parallel moves to "democratize" the international economic system. They also question the motivation behind the new conditionality at a time when Africa is facing increased competition from other regions of the world for the limited concessional financial resources on offer.

"This is not the time to widen the web of conditionalities," said Ghanaian Foreign Secretary Obed Asamoah in a speech to the UN General Assembly in September. Dr. Asamoah said African countries had followed the tough economic prescriptions for structural adjustment laid down by donors in the 1980s, only to see their crises deepen. They had, therefore, begun to question these policies through analyses such as the ECA's

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Monitoring popular participation

A Regional Advisory Group is to be created to monitor the implementation of the *African Charter for Popular Participation in Development* adopted at the international conference in Arusha in February. This was announced by ECA Executive Secretary Adebayo Adedeji, chairman of the conference's organizing committee, who said also that a staff position would be created at the ECA to help the Group with its work. The Group will be composed of many African people's organizations — such as NGOs, trade unions, grass roots, peasants, women and youth associations — as well as representatives of governments, UN organizations, ECA and OAU, and non-African NGOs.

The actions followed a call by the ECA conference of ministers and the OAU heads of state summit for the setting up of a mechanism for implementing the Charter, which urges African governments to adopt a bold, far-reaching programme of political reform and rejuvenation.

ADB: expanding to meet Africa's recovery needs

By Roy Laishley in Abidjan

Meeting the basic needs of Africa's people and combating poverty will be priority areas for the African Development Bank (ADB) in its future lending programme, said its president, Babacar Ndiaye, at the end of August. Using the occasion of his inauguration as head of the regional development bank for a second term, Mr. Ndiaye outlined some of the major areas of concern which are likely to dominate the Group's next five year operational programme, from 1992-96. "The Bank Group will augment the integration of these issues in its regular operations and will join hands with others in backing programmes which enhance the role of women, reduce poverty, protect the environment and reduce the rate of population growth," Mr. Ndiaye pledged.

The ADB is planning to continue a major expansion of its activities. After a 200 per cent capital increase in 1987 permitted a near-doubling of annual lending by the Group's main lending arm in the present five-year operational programme, the Bank is seeking a significant increase for its soft-loan affiliate, the African Development Fund (ADF) in talks with donors now underway. At the same time, it is seeking a mandate to widen its activities to help members develop their private sectors, encourage regional economic integration and to advise on managing their debts.

Many non-African members, however, fear the Bank is in danger of becoming too ambitious. An otherwise harmonious annual meeting, held in Abidjan at the end of May, was spoilt by a row over the establishment of a special emergency relief fund, which in the eyes of the United States and some other non-regional members was not in the Bank's purview. Such diffusion into other activities could undermine financial credibility, many argued. The present "proliferation of activities" may divert the Bank from its primary task of lending on the best possible terms, West German delegate Fritz Fischer warned.

This fear has been deepened by the conviction that the recent rapid expansion in lending — averaging over 20 per cent a year since 1987 —is in danger of running ahead of the Bank's capacity to manage it. Added to this was the concern, widely voiced in Abidjan, that the Bank's policy-based lending was also excessive and should be cut back to 25 per cent or less of total commitments — it has been as high as 35 per cent.

The capital markets, however, continue to show their confidence in the Bank. US credit rating agency Standard & Poor's recently upgraded ADB's senior debt to triple-A status, from double-A plus, a top-ranking already given by another ratings agency, Moody's & Fitch. The shift reflects a further strengthening in financial policies and "a steady improvement in operations and administration," Standard & Poor's comments.

The ADB has already taken steps to improve its operational arm. For the last two years of the present lending programme, new commitments are expected to hold steady at around $3 bn a year (see graph). Mr. Ndiaye has also indicated that he will not be asking for a further general capital increase until at least 1994.

Policy-based lending is also to be kept within the 25 per cent guidelines, though ADB officials dispute the argument of some non-regionals that such lending is riskier than for projects.

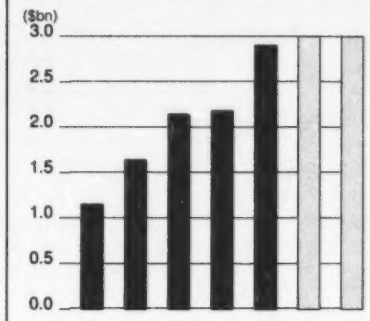
More funding for the poorest

But for the next replenishment of the ADF and in selected strategic initiatives the Bank's ambitions remain high. The battle to expand lending to the ADB's poorer members — countries with GNP per capita of $350 or less, which took 42 per cent of 1989 commitments, some $1.2 bn — is already underway. Due for renewal next year, the Bank has outlined four possible scenarios for the size of the next ADF, which will run for three years from 1991. These range from keeping it at the current Fund Unit of Account 2.25 bn ($2.7 bn) to a 75 per cent increase.

African countries are pressing for the maximum increase. "I think a significant increase is entirely reasonable," Zimbabwe's Finance Minister Bernard Chidzero told *Africa Recovery*, a view endorsed by many speakers in Abidjan.

The decision lies with ADF's donors, the overwhelming majority of which are from the industrialized countries. French delegates in Abidjan said their government would support a 75 per cent increase, a view also expressed by Canadian delegates, though they cautioned that any large contribution to the ADF would mean less funding elsewhere. US officials, however, have let it be known that they find the 75 per cent increase "excessive", a view which a number of other donors are also expected to share. A preliminary meeting on the replenishment was held in Abidjan on 1-2 June, with subsequent meetings expected to be necessary before a final decision is made ahead of the annual meetings next May.

Growth in ADB group lending



Source: African Development Bank *projected

ADB's lending profile demonstrates the increasing importance of the ADF at a time when more and more of its members are in no position to accept loans — with their 7.4 per cent interest charge — from the Bank's main lending arm. Over the last four years, ADB loans have gone to less than 15 countries a year.

Lending from the ADF on the other hand, has gone to more than 30 countries, on average, in each of the last four years. With Africa's economic prospects remaining grim, this trend is expected to continue.

The Bank is keen for more direct involvement in promotion of the African private sector. Recent loans to Tunisia and Morocco and an upcoming one for Algeria are aimed at advancing privatization in these countries. The establishment of a body within the ADB similar to the World Bank-affiliated International Finance Corporation could help to consolidate the Group's private sector involvement. Tentative lobbying in Abidjan, however, met strong opposition from non-regional members who want to avoid duplicate organizations.

Against strong reservations, the Bank is moving towards the establishment of an Export-Import Bank to facilitate intra-African trade. A one-day seminar on this subject, prior to the annual meetings, elicited a very positive response and was further endorsed by African members anxious to turn years of rhetoric into practical policies. Feasibility studies on an African Ex-Im Bank are to be carried out in conjunction with the Export-Import Bank of India.

Efforts to set up a debt-management group in the Bank to give advice to African members is also being resisted by non-regional members. "Well-established and competent fora" already exist, the United Kingdom's delegate Antony Faint said. ■

MAASTRICHT MEETING SHOWS SOME POLICIES STILL AN ISSUE

Consensus on strategy for African recovery broadened

An international conference organized by the government of the Netherlands to discuss the policies needed to strengthen African economic recovery further enlarged the broad consensus that has been emerging over the last year. At the same time the high-level meeting held in early July in the Dutch city of Maastricht revealed that much more still needed to be done to cement agreement on key issues on the implementation of economic reform measures and on the extent and nature of international support for Africa's reform efforts, particularly donors' involvement in the democratization process now underway in many countries.

Speaking at the beginning of the meeting Botswana's President Quett Masire, co-chairman of the meeting, observed that while there was a "substantial degree of consensus" on the problems confronting Africa, "it is difficult to assess the corresponding degree of consensus with regard to appropriate prescription for action." he said.

In particular, lively debate continues on the relationship between short-term policy reform measures and the long-term, human-centred transformation of African economies.

Speaking at the end, fellow co-chairman Robert McNamara, former World Bank president, argued that it had been "an extraordinarily productive and constructive meeting," paving the way for continuing dialogue and future action. Areas of consensus, he claimed, included the need to see development as a long-term and endogenous process; it should be human-centred, but cannot succeed without the restoration of growth in production — and the policy framework which will facilitate this; reducing population growth rates are equally vital, as are measures to protect the environment; regional economic co-operation and integration must be enhanced; additional external financial flows are critical, as is further debt relief; and that Africa needs better governance, complemented at the international level.

UN Economic Commission for Africa (ECA) Executive Secretary Adebayo Adedeji, however, questioned this search for "consensus" on African recovery, arguing that one already existed. This was the UN Programme of Action for African Economic Recovery and Development (UNPAAERD), adopted unanimously by the General Assembly in 1986 and which commits African governments to initiating economic policy reforms and the international donor community to increased assistance. In 1989, the ECA published its *African Alternative Framework*, challenging the World Bank and International Monetary Fund approach to the structural adjustment of African economies which, according to the ECA, emphasized short-term macro-economic balancing at the cost of the long-term transformation which alone could sustain far-reaching development. Differences in the two approaches, although considerably narrowed in recent months, still influence efforts at reaching a general consensus on the specific policy priorities facing both African governments and the donor community.

Dijkstra & Zn

Botswana President Quett Masire, co-chairman of the Maastricht meeting and Dutch Development Co-operation Minister Jan Pronk, whose government organized the conference.

To this has been recently added a growing controversy over the role of donors in political change in the continent, with many interpreting the need for better governance in Africa as a right to make aid conditional on visible progress towards a Western concept of democratization. Professor Richard Joseph of the Carter Centre at Emory University in Atlanta, Georgia, while strongly arguing for political pluralism in Africa, criticized demands for multi-party systems from non-Africans unaware of the complexities of democratization after decades of autocratic and authoritarian rule. In addition, he criticized both donor governments and the international financial institutions for shoring up many repressive regimes and closing their eyes to the diversion of aid funds in pursuit of geo-political interests. Dutch Development Co-operation Minister Jan Pronk reminded his audience that "international good governance is just as essential" as good governance in Africa.

During the meeting a number of donors made proposals for action in specific areas. These included the African Capacity Building Initiative, sponsored by the African Development Bank, UNDP, and World Bank — and a programme for regional integration sponsored by the EC.

A loose political coalition of African and donor ministers and officials is now expected to meet at periodic intervals to monitor progress on long-term national development plans and discuss strategy issues. Mr. McNamara suggested that the next meeting could be held in the second half of 1991 and Uganda, as current chairman of the Organization of African Unity, has offered to host it. The periodic meetings of political representatives could be supplemented by meetings of experts on particular technical subjects, Mr. McNamara suggested.

There was a general concern that the Maastricht initiative should not generate more institutional machinery on an already crowded African aid scene. African members at the meeting, therefore, asked Mr. Pronk, along with the two co-chairmen, to provide interim machinery to co-ordinate the follow-up. ■

READEX FICHE

Donor support for Namibia

By Roy Laishley

Namibia's new government is holding a series of meetings with its donors on implementing an extensive aid programme following a successful donors conference, held in New York in June under UN auspices. "We got more or less what we expected," Dr. Zedekia Ngavirue, Director General of the National Planning Commission told *Africa Recovery*.

The UN Development Programme (UNDP), which helped to organize the meeting, estimates that nearly $220 mn was pledged for 1990, the first year of Namibia's action programme, with an average $160 mn estimated to be available in each of the subsequent three years. Namibia had requested an average of $270 mn a year for 1990-1992, for priority development projects.

The government will soon be sending major prospective donors its priority project list for 1990, Dr. Ngavirue said in early August. The Federal Republic of Germany indicated that some $185 mn would be available over the next four years in a mixture of loans and grants. Large pledges were also made by Sweden, Finland, the United States and Norway. Japan, while pledging no specific amounts, indicated that assistance for fisheries, water supply, food security and transport would be available. The Soviet Union is also expected to make a significant contribution, aid officials say. France, Italy and the United Kingdom are all intending to send missions to discuss specific programmes for their pledges.

In sector terms, education received the highest priority, with a requested allocation of $40 mn a year, followed by water supply, agriculture and fisheries, health and other infrastructure, each with a requested $30 mn.

The single largest request was for direct budget support. An average of $70 mn was requested, though in the first year, original estimates suggested some $100 mn would be needed. UNDP officials estimate that some $60 mn of the initial assistance would be available for direct budget support. In the budget presented in June, however, the projected budget deficit is less than $80 mn, well down on the $185 mn originally forecast.

The Namibian government had also urged that the funds be pledged on a grant basis. The World Bank estimates Namibia's 1988 GDP per capita at $1,200. This makes Namibia ostensibly one of the most prosperous countries in sub-Saharan Africa. But the Bank points out that Namibia also has one of the most skewed income distributions in Africa, with 55 per cent of the population living on a per capita income estimated at only $85 a year.

"The Namibians are not fooled by this [$1,200] figure," President Sam Nujoma told the donors' conference. "The Bank cannot be fooled by this figure, and you, our friends in the international community, will not go for this figure either."

Donors expressed their general approval for Namibia's spending priorities. Many welcomed the government's confirmation of a significant role for the private sector. A preliminary policy statement on foreign investment confirmed that the new code would make provision for compensation in the event of expropriation, and would try to ensure that foreign exchange will be freely available. An investment centre is to be set up and there will be no stipulation on any local equity participation in a foreign investment project.

"The private sector is essential to the economic development of our community and the government aims at ensuring it a more dynamic role so that it can be the engine for growth and prosperity," President Nujoma said. The government is aiming for GDP growth of 3-4 per cent per annum in the first three years, later rising to 5-6 per cent. With no growth at all in 1989 and less than 3 per cent in each of the previous two, the task is an immense one.

With the private sector given the primary responsibility for growth, the government's investment priorities are firmly fixed on reversing decades of inequality. Expansion of the education and health sectors, coupled with the provision of affordable housing, dominates capital spending in the new budget.

The government is also concerned to ease Namibia's rampant unemployment problem. It envisages spending some $26 mn on job creation schemes. But the major focus is on developing agriculture where performance has been poor in recent years. The main thrust of this effort will be directed at the smaller communal farmers, where new credit schemes ($30 mn requested) and marketing facilities (just under $20 mn anticipated) are important elements.

In support, there will be a major expansion and improvement of physical infrastructure. The government envisages investment of close to $150 mn for improved water supplies, both urban and rural. The road network is another priority area.

To succeed, the government will not only have to encourage a major inflow of external assistance — both aid and private flows — but will also need to increase domestic savings to help raise domestic investment from under 15 per cent of GDP in 1989 to around 20 per cent as quickly as possible. Investing for the future while addressing immediately the imperative of reducing social and economic inequalities, at a time when financial resources are likely to be limited, is the major challenge facing both the government and its donors. ■

Namibia's President Sam Nujoma told the UN donors' conference in June: "In the real world of the daily lives of our people and in the practical realities of the resources available to the government, we are one of the poorest people of this earth".
The Least Developed Countries (LDC) Conference in Paris in September recommended that Namibia be granted LDC status.
Namibia has already become a member of the International Monetary Fund and World Bank.

Main pledges 1990-1993 (provisional, $mn)

DONOR	1990	Total*
Australia	1.2	5.7
Canada	3.4	13.6
Denmark	7.3	29.2
Finland	11.7	51.3
France	7.1	23.2
Fed. Rep. Germany	68.9	185.6
India	2.9	11.7
Italy	4.1	16.3
Netherlands	**4.2	17.0
Nigeria	1.0	1.0
Norway	10.8	38.7
South Africa	10.0	10.0
Sweden	16.5	66.0
UK	5.9	17.0
US	10.0	40.0
ADB	7.0	7.0
Swedish Soc.	5.0	20.0
EC	24.0	96.0
UNDP	5.5	15.0
UNFPA	1.0	3.0
UNICEF	1.0	3.0
WFP	8.0	21.0
Grand Total	**219.5**	**696.0**

* includes estimates for 1990-1993 in some cases.
** estimated.
Source: UNDP.

An interview with Pendukeni Ithana, Secretary, SWAPO Women's Council and Deputy Minister

Namibian women fight for equality

By Colleen Lowe Morna in Windhoek

Pendukeni Ithana is one of the few women in the world to have been closely involved with the drafting of her country's constitution. She was the only woman on the 21-member "standing committee" which hammered out the details of Namibia's new constitution. Ensuring equal opportunity for women is one of Namibia's most urgent tasks, President Sam Nujoma told international donors in June. The country's independence process provided a unique opportunity to enshrine that principle in the county's constitution. But Pendukeni Ithana knows that translating the principle of equality into effective participation in all aspects of Namibian life remains a formidable task.

Namibia's constitution has been hailed as one of the most democratic in Africa. Casting back to the four months of haggling that eventually led to its adoption, Ithana, who is also secretary of the ruling South-West African People's Organization (SWAPO) Women's Council and deputy minister of Wildlife Conservation and Tourism, smiles at her experiences as the only woman. "In the corners, or even in public, some men made jokes that the women were trying to take over," she recalls. But, she adds, in fact "we had some male comrades on our side."

Through the constitution, she says, Namibian women have "made it a point that society cannot be regarded as democratic unless the rights of women are guaranteed."

Namibia's history has placed particularly acute economic pressures on women. Under first German, then South African domination, a handful of white settlers in Namibia systematically deprived the majority black population of its land, forcing men to seek jobs in the mines, towns and commercial farms.

Equality before the law

According to a recent UN report on women and children in Namibia, women, because of the war and the migrant labour schemes, have often had to take responsibility for their families. "They have succeeded in that duty by holding several jobs which, because of their lack of education, have been semi- or unskilled, and therefore poorly paid."

But under the Roman-Dutch legal system that pertained before Namibia became independent, women remained minors all their lives: first under their fathers, then under their husbands, and finally under their sons — if their husbands died.

"This is the first issue we tackled and defeated," says Ithana, triumphantly. "On reaching the age of 18, every person, whether male or female, attains the legal age of majority, and is treated equally before the law."

The Namibian constitution, she points out, is unique in referring to "he and she" — not just "he" — throughout. It also gives foreign men married to Namibian women the right to citizenship — a remarkable provision in Africa.

Some women legal experts are disappointed that Namibia did not take the opportunity to fully incorporate the 1981 UN Convention on the "Elimination of All Forms of Discrimination Against Women" which details a wide range of social, economic and legal measures necessary to make women equal partners.

However, in the chapter on "Fundamental Human Rights and Freedoms," regarded as the most far-reaching in Africa today, the constitution makes special mention of women.

Under a section titled "Apartheid and Affirmative Action," the document says that women in Namibia have traditionally suffered special discrimination. Women, this section says, "need to be encouraged and enabled to play a full, equal and effective role in the political, social, economic and cultural life of the nation."

According to Ithana, this means "that it is legal to discriminate positively in favour of Namibian women, who by virtue of the colonial system find themselves behind the rest of society."

Now that these provisions are in place, she adds, the next step is to work on the laws and regulations that will make them effective. Thus, for example, "if there are 50 places of study to be filled, it will be necessary to insist that a certain quota of those places be filled by women."

Similarly, within the broad framework of equal opportunities, laws have to be passed effecting paid maternity leave, free daycare facilities, and equal pay for equal work. Ironically, notes Ithana, "while I was working on drafting the constitution, I was earning 10 per cent less than my male counterparts. All that now has to be done away with through the legal system."

Namibian Ministry of Information & Broadcasting

Pendukeni Ithana, only woman on the drafting committee for Namibia's new constitution.

Ithana is the first to admit that "having a constitution is not the end of the story; it is in fact the beginning of the story." Women still only constitute 7 per cent of the National Assembly. "Our society," says Ithana, "has been such that women have been made to feel inferior, and they behave accordingly. What we have to work on now is to make every Namibian woman feel that she is as good as the next good Namibian, so that women can come out of their shell and participate in public life."

Historical legacy

The historical legacy is also reflected in President Sam Nujoma's cabinet, where out of a total of 32 ministers and deputy ministers, there is only one woman minister and two deputy women ministers. In one of his first speeches when he got back to Namibia, Nujoma thanked women for their role in feeding freedom fighters during the independence war. This seemed to ignore the active role played in the field by women like Ithana, who led a battalion of SWAPO guerrillas in Angola.

Without referring to this incident, Ithana notes: "It is appalling for some of our men to come home and all of a sudden start forgetting that they were fighting battles together with women-folk. If we sit back, they will forget as soon as the constitution is in action."

As Namibia now gets down to the business of nationhood, it is crucial for women, says Ithana, "to keep the light burning, so that we don't revert back to the old situation." ■

Africa's least developed countries

A majority of African states are among those particularly disadvantaged nations of the world designated as "least developed countries" (LDCs). The policies adopted by the international community in support of the LDCs thus have a special importance for much of Africa — although the concrete results of those policies over the past decade generally have been disappointing.

The Second United Nations Conference on Least Developed Countries, held in Paris in September, was called to focus on ways that both the LDCs and the international community can better overcome these countries' especially severe economic handicaps. In the months preceding the conference, the LDCs themselves — including at a May 1990 meeting of African LDC ministers — highlighted the issues of greatest concern to them: the need for significantly improved aid flows, substantial relief from their onerous debt burdens and greater access to the markets of the developed north for the few key exports upon which their economies depend.

The following article is based on a recently published Africa Recovery Briefing Paper,* "African LDCs: Among the most vulnerable and least developed," by Patrick Guillaumont, Director of the Centre for International Development Research Studies (CERDI) at the University of Clermont I in France and a member of the UN Committee for Development Planning.

Plan for LDCs

The Second UN Conference on Least Developed Countries, held in Paris, adopted a new Programme of Action for the 1990s, which, among other things, called on the donor countries to significantly increase their aid flows to the LDCs, grant them greater debt relief and adopt policies more favourable to key LDC exports. A report on the conference will appear in the next issue.

Of the 41 LDCs recognized by the United Nations as of mid-1990, 28 were African.** All are located south of the Sahara, representing 37 per cent of Africa's total population but only 16 per cent of its gross domestic product (GDP).

The most distinctive feature of the LDCs is not their poverty as such, but the structural vulnerability of their economies to external shocks. With extremely low income levels, little industry, small domestic markets, low investment and savings rates and a relatively undiversified productive capacity, they are less able than other developing countries to respond to natural catastrophes or adverse shifts in world economic trends.

They are especially vulnerable to fluctuations in world prices and trading patterns because of their high dependence on the export of just a handful of commodities. The majority depend for over three-quarters of their export earnings on just three commodities, a dependence which has worsened during the 1980s.

It is because of such particular weaknesses in the LDC s that the UN has urged, ever since the formal adoption of the least developed category in 1971, that the donor countries accord special treatment to the LDCs. The first LDC conference, held in 1981, spelled out more clearly the character of such special treatment: a greater share of development assistance, debt relief, more favourable trading arrangements and other support measures for the LDCs. This, it was hoped, would help the LDCs attain higher growth rates and provide the necessary external support for their own efforts to diversify their economies and improve economic efficiency and management.

The 1980s, however, were a period of general disappointment. Between 1980 and 1988, the GDP growth rate of the LDCs averaged just 2.4 per cent a year. This poor growth record contrasts starkly with the target set at the 1981 LDC conference, 7.2 per cent, considered necessary to overcome the widespread deprivations in those countries.

Other conference targets have also not been met. The LDCs have not been receiving the recommended levels of development assistance. Over the decade, aid flows to the LDCs from the industrial countries belonging to the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development stagnated at around 0.08 per cent of those donor countries' GNP — only a little more than half of the 0.15 per cent

**Copies of the "African LDCs" Briefing Paper can be obtained from Africa Recovery.*

*** The African LDCs are: Benin, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tomé & Principe, Sierra Leone, Somalia, Sudan, Tanzania, Togo and Uganda. In addition, Liberia has been recommended for admission to the LDC category.*

The other LDCs are: Afghanistan, Bangladesh, Bhutan, Haiti, Kiribati, Laos, Maldives, Myanmar (formerly Burma), Nepal, Samoa, Tuvalu, Vanuatu and Yemen (formerly two countries: Democratic Yemen and Yemen).

Comparative LDC indicators by country groups

	GDP per capita ($) 1987	Manufacturing value added % of GDP 1987	Adult literacy rate (%) 1985	Population (millions) 1987	Per capita GDP growth 1980-88 annual ave (%)	Average life expectancy	Debt as % of GNP 1988
African LDCs	237	8	47	205.16	-0.4	47	98.0
Other LDCs	217	8	42	197.20	1.8	53	57.0
All LDCs	227	8	45	402.40	0.0	50	81.4
All Africa	544	12	48	557.19	-1.9	52	94.1
All Developing	877	20	58	3794.14	-0.1*	62	43.9
Industrial	10,760	21	n.a.	1202.28	2.3	74	n.a.

* Excluding China and other Asian Socialist countries.

Sources: UN Africa Recovery adapted from: UNCTAD, *The Least Developed Countries 1989 Report*; CERDI; UNCTAD, *Handbook of International Trade and Development Statistics, 1989*; UNDP, *Human Development Report 1990*; World Bank, *World Debt Tables 1989-90*.

Journalists tour visits two African LDCs

A May 1990 tour to Tanzania and Togo, sponsored by UNDP and the UN Department of Public Information, was organized to familiarize journalists with the acute problems faced by LDCs. Reflecting current thinking in the donor countries, the Western journalists, on the whole, were substantially more critical of African policies and more interested in democratization issues than during a similar Africa Recovery tour 18 months earlier.

Participating journalists

Non-African press

Borås Tidning (Stockholm): **Inger Dahlin-Roe**
Christian Science Monitor (USA): **Robert Press**
Economist (London): **Tony Hawkins**
Financial Times (London): **William Keeling, Julian Ozanne**
Frankfurter Allgemeine Zeitung (Frankfurt): **Guenter Krabbe**
The Guardian (London): **Victoria Brittain**
L'Humanité (Paris): **Claude Kroes**
Los Angeles Times (USA): **Michael Hiltzik**
Mainichi Shimbun (Tokyo): **Satoshi Fukui**
Il Messaggero (Rome): **Lino Canu**
Le Monde (Paris): **Veronique Maurus**
Neue Zürcher Zeitung (Zurich): **Beat Ammann**
Le Soir (Brussels): **Colette Braeckman**
Süddeutsche Zeitung (Munich): **Kurt Kister**
The Times (London): **Martl Colley**
Wall Street Journal (New York): **Roger Thurow**
Xinhua News Agency (Beijing): **Pan Yongming**
Za Rubejom (Moscow): **Vladimir Iordansky**

African press

African Business (London): **Colleen Lowe Morna**
Cameroon Tribune (Yaounde): **Martin Badjang Nkem**
Pan-African News Agency (Dakar): **Mansour Kdir**
Sud Hebdo (Dakar): **Khadidiatou Sophie Ly**
West Africa (London): **Toby Shelley**
Zimbabwe Herald (Harare): **Jethro Goko**

UN Africa Recovery/Betty Press

Journalists on United Nations-sponsored tour meeting with Tanzanian President Ali Hassan Mwinyi at State House, Dar es Salaam

target for LDC development aid put forward at the 1981 conference.

Nevertheless, the LDCs' share of this development aid has risen slightly, an increase that is particularly marked for the African LDCs, which have benefitted from the improved targeting of assistance toward low-income Africa in general.

Guillaumont stresses that these countries will continue to require highly concessional aid flows in the future and that donor countries should do more to meet established aid targets for the LDCs.

Structural adjustment is necessary for the LDCs, argues Guillaumont. But adjustment policies in the 1980s have emphasized changing relative prices to reflect market values rather than increasing productivity. This has resulted, among other things, in lowering workers' salaries, which were already very low in the LDCs.

Guillaumont recommends that priority be given to investment aid (project aid), in comparison with balance-of-payments support, which increased sharply as a proportion of total aid in the 1980s. Donors should also ensure that LDCs are able to sustain their efforts in human resource development, especially through health and education.

So far the greatest benefits granted to LDCs have been in the field of debt relief. This has been particularly the case for African LDCs, since most of them are severely or moderately indebted, compared to only three of the non-African LDCs.

The debt relief initiative taken at the 1988 Toronto summit of the seven largest industrial nations has benefitted mainly African LDCs. Since June 1989, France, the United States, the Federal Republic of Germany and Belgium have announced the cancellation of part of the official debt of a significant number of African countries. This now totals some $5 bn.

However, considerably more can be done, Guillaumont argues. He suggests that the resources of the international financial institutions be increased to strengthen their capacity to refinance their outstanding loans, which, because they cannot be rescheduled, represent a growing share of the LDCs' debt servicing burden. Official creditors outside the Paris Club should align their practices with those of the Club, and creditors should greatly increase the concessionality of future aid flows to LDCs.

Noting that exports from the LDCs now represent only 0.3 per cent of total world exports, compared to 1.4 per cent in 1960, Guillaumont also proposes that the industrialized countries lift any existing trade barriers that hamper LDC exports. This will improve their foreign-earnings capacity and also reinforce their efforts to increase export diversification.

Mechanisms to provide LDCs with partial financial compensation for losses resulting from fluctuations in world market prices for their exports have improved since 1981. Guillaumont suggests, however, that these can be extended further for LDCs, to help bring about some degree of macro-economic stability for these especially fragile economies. ■

Tanzania:Difficult road of reform

By Ernest Harsch in Dar es Salaam

After four years of policy reform and increased external financing, the pace of economic life in Tanzania has picked up markedly. Farms are producing more. Shops and market-places are filled with goods that could not be found just a few years ago. In contrast to the first half of the 1980s, when growth rates stagnated or even went negative, the gross domestic product (GDP) has increased by an annual average of 4 per cent since the reforms were introduced.

"Great challenges still lie ahead of us," warns President Ali Hassan Mwinyi, however. "We still have enormous economic problems, despite these successes."

The difficulties are both from without and within. The country has been buffeted by the collapse in world market prices for some of its key exports and by the steep cost of servicing its foreign debt. The magnitude of these constraints would be daunting for any poor country. But in Tanzania they further complicate a very complex and contentious process of economic reform, which involves a gradual shift away from a mainly state-directed economy toward one in which market forces play a greater role.

While the initiation of such reforms has enabled Tanzania to attract more support from Western donor countries, it has imposed severe hardships on many ordinary Tanzanians, raising questions about how the country can reconcile the new policy direction with its traditional emphasis on equity and social justice.

Not only have basic social services such as health and education continued to deteriorate during the reform programme, but real incomes have fallen to "perilous levels," the term used by Professor Kighoma Malima, Minister of State for Planning. Urban wages are only enough to cover about a quarter of an average family's monthly expenses. Government employees' real salaries are now 14 per cent of what they were a decade ago. In the countryside, the benefits of higher producer prices have been eroded by persistent inflation and difficulties in getting crops to market.

Categorized as a "least developed country" ever since the United Nations drew up its first official list of LDCs in 1971, Tanzania has extremely limited budgetary means of its own — nearly half of government income comes from foreign aid. Its annual import requirements are usually two to three times its export earnings. And a relatively large population of 25 million, growing at a rate of 2.8 per cent a year, is placing further strains on existing resources.

In explaining the problems on the social front, Tanzanian officials note the rigours of the first Economic Recovery Programme (ERP), launched in 1986 at the urging of the International Monetary Fund (IMF) and World Bank. Under that three-year programme, national and international resources were directed mainly toward raising production levels, while the social sector received a diminished share.

The second ERP — known officially as the Economic and Social Action Programme (ESAP) — seeks to redress this imbalance. The ESAP, says President Mwinyi, "puts greater emphasis on the rehabilitation and improvement of essential social services such as education, health, and clean water."

Mwongozo grammar school just outside Dar es Salaam. Tanzania's schools are suffering from severe shortages of classrooms, desks and textbooks.

UN Africa Recovery/Betty Press

LDC

Further progress toward recovery — on both the economic and social levels — is seen by many Tanzanians as vital if the country's long record of political stability and its achievements in forging a sense of national unity are to be preserved.

The slide downward

Although one of the world's poorest nations at the time of independence in 1961, Tanzania was able until the mid-1970s to make significant improvements in social welfare and economic performance. High coffee prices, infusions of foreign assistance and favourable weather contributed to annual growth rates that averaged 4.4 per cent.

As a matter of policy, the government set out to promote equity and improve the social well-being of broad sectors of the population. In all social indicators except secondary school enrollment, Tanzania eventually was able to exceed the LDC average, often by a wide margin.

The economy remained highly fragile, however, and a series of unexpected blows in the mid-to-late 1970s threw it into deep crisis. Foreign Minister Benjamin Mkapa explains how a number of negative developments converged almost simultaneously to devastating effect: Tanzania's terms of trade deteriorated, as the world market prices for its traditional exports (most notably coffee and tea) declined sharply, while the cost of imports, especially oil, rose. The unexpected break-up in 1977 of the East African Community (of Tanzania, Kenya and Uganda) imposed enormous costs on Tanzania, which included having to set up its own postal and communications systems. The 1978-79 war with neighbouring Uganda, prompted by Idi Amin's invasion of Tanzanian territory, is estimated to have cost $500 mn — the equivalent of more than a year's export earnings. In addition, several years of poor rains necessitated food imports and reduced agricultural exports.

Not all the difficulties were external. "We agree we mismanaged the economy," states Finance Minister Stephen Kibona. "That is no secret."

Beginning in the late 1960s, a policy of sweeping nationalizations placed much of the economy in state hands, from large, previously foreign-owned enterprises down to smaller retail operations that had been run by Tanzanians. These take-overs, together with the establishment of new state-owned enterprises, led to a massive expansion of the public sector, which now comprises more than 400 parastatals.

Many Tanzanian officials agree that this proliferation of parastatals exceeded the country's ability to manage them efficiently, leading to costly subsidies and declines in production. The country's sisal estates, once a leading export earner, went into steady decline following nationalization, annual production falling from 200,000 tonnes in 1969-70 to some 30,000 today.

In addition, some new import-substitution industries were poorly conceived. Although designed to achieve greater self-reliance in manufactured goods, many relied heavily on imported raw materials, equipment and fuel, making Tanzania more dependent on such increasingly expensive imports.

These difficulties impelled the government to devote a disproportionate share of public investments and policy attention to industry and the state-run agricultural estates and marketing boards. As a result, the bulk of agriculture, composed of small, family-owned farms, could not obtain the resources needed to improve productivity. "The biggest mistake we made," states Agriculture Minister Stephen Wassira, "was the disinvestment in agriculture."

Agriculture's problems were compounded by the abolition of agricultural co-operatives in 1976, one of the policy errors later highlighted by Julius Nyerere, Tanzania's first president and, until this August, chairman of the sole party. The co-operatives' functions were handed over to the already over-burdened marketing boards. Crop purchasing lagged, farmers received late payment and access to essential inputs like fertilizer became difficult for all but the wealthiest or those with personal connections in the state bureaucracy.

Farmer incentives were further eroded by the government's exchange rate policy, which allowed the shilling to appreciate, making exports very uncompetitive.

Hampered by domestic policy shortcomings, Tanzania was also squeezed by adverse external trends. Compared to the beginning of the 1970s, Tanzania's terms of trade had declined 30 per cent by 1980-82, while export volumes fell another 25 per cent, thus cutting foreign earnings in half and forcing a reduction in imports. Meanwhile, debt servicing costs climbed to 50 per cent of export earnings.

UN Africa Recovery/Betty Press

Tanzania's GDP contracted between 1981 and 1983, and in the following two years remained negative in per capita terms. Agricultural output grew modestly, but only because of an expansion of food production, as many farmers abandoned cultivation of low-paying export crops. Industrial output fell by 15 per cent a year over the first half of the 1980s. By 1987 manufacturing and mining's combined share of GDP had shrunk to 8 per cent, from 13 per cent in 1976.

Before the reform period, severe shortages had developed in common consumer goods, such as soap, sugar, cooking oil and toothpaste. According to an International Labour Organization study, the lowest grade civil servants were in 1985 getting just 23 per cent of their 1975

Tanzania at a glance, 1989

Population	25.6 mn[1]
Population growth rate	2.8%
GDP per capita	$147[1]
Currency	Shilling(TSh 193=US$1)[2]
Gross domestic product	TSh 311.5 bn ($3.14 bn)[3]
of which: agriculture	47%
manufacturing	5%
Total external debt	$5.1 bn
Debt per capita	$204
Aid per capita	$39.60[3]
Life expectancy at birth	54 years
Infant mortality rate	105 per 1000 live births
Adult literacy rate	90%

1. 1987 data. 2. As of May 1990. 3. 1988 data.

"The people know of our leadership's commitment to egalitarian principles."

Foreign Minister Benjamin Mkapa

Not all the difficulties were external. We agree we mismanaged the economy.

Finance Minister
Stephen Kibona

UN Africa Recovery/Betty Press

real salaries, and today almost all government employees as well as others with low incomes in the private sector have had to take up informal side occupations just to get by.

Agreement with IMF

At the beginning of the 1980s, the Tanzanian government sought increased external financing and took its first steps toward major policy reform.

Initial discussions with the IMF in 1981 broke down when the Tanzanian leadership, keen to defend its development priorities, rejected some of the Fund's conditions for financing. There was particular concern that the Fund's demand for a sudden and massive devaluation of the shilling would further depress Tanzanians' already low living standards.

UN Africa Recovery/Betty Press

Market-place on the edge of Dar es Salaam, Tanzania's economic capital.

In 1982 Tanzania launched its own three-year Structural Adjustment Programme (SAP). Among other measures, the shilling was cautiously devalued and, most significantly, a shift in agricultural policy brought a revival of the co-operatives and a reduction in the marketing boards' role, as well as a doubling of agriculture's share of the development budget. The SAP registered progress in some areas, and slowed the overall decline. But it failed to generate a real recovery, at least partly because Tanzania obtained only a third of the external financing it required. Many of Tanzania's traditional donors were reluctant to provide aid in the absence of an IMF agreement.

So despite continued misgivings about some of the Fund's conditions, the Tanzanian government signed an accord with the IMF in August 1986. The country began to see a rapid inflow of desperately needed funds.

The agreement not only enabled Tanzania to draw on IMF stand-by and structural adjustment financing, but also opened the way to additional World Bank funding. It likewise permitted Paris Club rescheduling. In 1986, $1.1 bn of official debt (including $400 mn in arrears) was rescheduled over 10 years. Two years later another $337 mn was rescheduled under the new Toronto terms. France, Sweden, Finland, the United States and several other countries have written off some $100 mn that Tanzania owed them.

In addition, foreign assistance to Tanzania doubled from $495 mn in 1985 to $997 mn in 1988. At a December 1989 donors conference in Paris, $865 mn was pledged for 1990. This fell short of Tanzania's $1.3 bn financing gap, but the difference is expected to be made up by other aid sources, private flows and further debt rescheduling.

Mixed results

The policy reforms introduced with the 1986-89 Economic Recovery Programme and its successor ESAP mark a striking shift from the strategy of the late 1960s and 1970s.

The Tanzanian shilling has been devalued massively, from TSh 17 to the US dollar in 1986 to TSh 193 as of mid-1990.

The earlier steps to revive the agricultural co-operatives and trim the role of the marketing boards were extended. Price controls were lifted on all but 10 types of essential goods (compared to 400 before 1986). Private traders were permitted to retail maize and other grains. External trade was also liberalized, with importers allowed to use their own foreign exchange to bring in a wide variety of goods.

Increased external funding has permitted a marked rise in imports, from a yearly average of $900 mn over 1980-86 to $1.4 bn by 1990. This, in combination with the policy reforms and improved weather, has led to greater productive output, especially in agriculture. Farm production grew by an annual average of nearly 5 per cent over 1986-88, compared to a growth rate of less than 3 per cent during the 1981-85 period.

The ratio of public to private domestic investment has shifted dramatically in favor of the latter, because of a reduced emphasis on parastatals, the government's limited investment budget and the new openings for private sector activity. In 1981 public investment was the equivalent of 122.2 per cent of private investment, but by 1989 it had declined to just 38.3 per cent. This trend is likely to continue, especially if the process of reviewing public sector performance leads, as expected, to the privatization or liquidation of some parastatals.

In many areas, Tanzania continues to confront serious difficulties and handicaps. Industrial performance is disappointing. Capacity utilization in manufacturing averages just 38 per cent, an improvement over the 25 per cent level of 1986, but still far short of the ERP's 60-70 per cent target. This sector continues to suffer from shortages of foreign exchange to import raw materials and spare parts. Moreover, import liberalization has tended to flood the consumer market with cheap foreign goods, forcing a layer of domestic manufacturers out of business. The textile and clothing industries have been hit especially hard.

Continued growth in the money supply — due to the marketing boards' credit requirements — has meant that the inflation rate was only brought down from 33 per cent

LDC

Multi-party debate rages — calmly

By Salim Lone in Dar es Salaam

Although one of Africa's poorest countries, Tanzania can boast of a long record of stability and openness virtually unmatched on the continent.

Few countries have experienced the kind of deprivations that existed here during the late 1970s and early 1980s without going through severe repression or political turmoil. Neither occurred in Tanzania, despite the fact that many people blamed their economic crisis on official policies. The country is also one of the very few in Africa to have undergone a voluntary, peaceful transition of leadership.

Currently, as parts of the continent are swept by unrest or conflict over the question of multi-party democracy, Tanzanians are debating the issue openly.

"We are letting the people discuss this by themselves," President Mwinyi told the group of visiting journalists. "They are discussing it in many gatherings, meetings and seminars. The choice belongs to the people."

There are many advocates here for a multi-party state, including the largest privately owned newspaper. But a substantial cross-section of Tanzanians prefer continued single-party rule, albeit one which, in President Mwinyi's words, is not "complacent, apathetic or lacking in accountability to the people."

"The internal peace and unity we have enjoyed," says Foreign Minister Benjamin Mkapa, "is a result of our leadership's transparent dedication to our people's welfare. The people, including those who criticize us, know that our policies are based on non-elitist, non-accumulative, egalitarian principles."

President Mwinyi and his ministers were asked by journalists whether Tanzania's economic crisis resulted from its socialist policies. The president said that was incorrect, since the "socialist" economy grew at a steady pace between independence in 1961 and 1978, before it was hit by a series of shocks (see page 11).

Most Tanzanian ministers, while readily acknowledging policy errors, were amused by the determination of some journalists to ascribe Tanzania's travails to socialist policies. "You talk as if all the non-socialist countries of Africa were doing very well," said one minister. "There are at best a handful of socialist states in Africa. If socialism was the cause of our economic crisis, then our continent should be doing very well indeed."

UN Africa Recovery/Betty Press

President Mwinyi: "The people are freely debating the multi-party question."

in 1986 to 23 per cent this year (compared to the ERP's 10 per cent target).

The official trade and current account deficits have both widened since 1986. This has been due largely to Tanzania's inability to earn significantly more from exports, resulting both from poor world market prices and slow growth in the volume of exports.

The results of increased resource inflows have not all been benign. The burden of debt mounted from $3.5 bn in 1986 to $5.1 bn by early 1989, with payments arrears nearly doubling from $434 mn to $800 mn over the same period. This year's estimated debt servicing obligations are equivalent to more than 70 per cent of export earnings. Actual payments will be considerably less, thanks to debt rescheduling. But the World Bank warns that a crunch may come in 1992-93, when payments on previously rescheduled debt begin to fall due.

Tanzania is highly dependent on foreign assistance to help finance its import needs and development plans. According to Mr. Kibona, between 40 and 50 per cent of annual government income is in the form of foreign aid. President Mwinyi, who on a recent tour of Scandinavia was repeatedly assured that increased donor interest in Eastern Europe would not divert aid from countries like Tanzania, has nevertheless voiced his concern that development assistance will, in fact, become harder to obtain.

There is disappointment as well over the contradictory results of certain policy measures. "Some of the IMF conditionalities have not been yielding good results," states President Mwinyi.

The shilling's massive devaluation has not been that effective as an incentive to export producers because it has simultaneously increased the cost of vital productive imports, such as fertilizer, machine parts and vehicles. President Mwinyi cites the example of imported trucks, which have risen in cost from TSh 500,000 to TSh 6 mn. "This is beyond the reach of most of our ordinary transporters," he says.

UN Africa Recovery/Betty Press

"You try to give more to the farmers, but the world market gives you less."
Agriculture Minister Stephen Wassira

Since financial institutions are few, especially in rural areas, not many more Tanzanians are taking advantage of high interest rates by depositing their meagre savings. The high lending rate of around 30 per cent is meanwhile causing difficulties for private enterprises, co-operatives and state agencies that conduct much of their business on credit.

Distress over social sector

Social welfare has long enjoyed a high priority in Tanzania. There has been widespread recognition of Tanzania's efforts to bring primary education and health care to virtually every village, to promote adult literacy (at 90 per cent, one

Tanzania: economic indicators

	1985	1986	1987	1988	1989
GDP at current market prices (TSh bn)	120.6	159.6	219.0	311.5	n.a.
Real GDP growth (%)	2.9	3.8	4.0	4.4	4.0
Exports (constant 1980 $mn)	478	455	541	532	551
Imports (constant 1980 $mn)	1240	1316	1301	1394	1450
Current account balance ($mn)	−147	−174	−265	−258	n.a.
Government deficit/GDP (%)	6.1	5.6	9.2	8.7	9.7
Total external debt ($bn)	3.87	4.20	4.83	4.73	5.10
Official development assistance ($mn)	486.9	680.6	828.3	978.2	n.a.
Cotton production ('000 tons)	52.0	36.0	74.2	84.4	n.a.
Coffee production ('000 tons)	49.0	55.0	58.7	50.0	n.a.
Exchange rate (TSh per $1)	17.5	32.7	64.3	99.3	139.5*

* As of May 1990, TSh 193 = $1. n.a.= not available

Sources: Government of Tanzania, Central Bank of Tanzania, World Bank, IMF, African Development Bank, UNDP, OECD

of the highest rates on the continent), and to ensure that as many people as possible have access to clean water and enough food to eat.

Tanzanians are therefore especially distressed by the deterioration of their schools and health clinics. Although the problems began earlier, the ERP's emphasis on reducing budgetary deficits has aggravated the situation by imposing further limitations on social expenditure.

Dramatic changes

- **In 1986 price controls were in effect on 400 types of goods; now they apply to only 10 types.**
- **The ratio of government to private investment has declined from 122 per cent in 1981 to 38 per cent in 1989.**
- **Between 1986 and May 1990 the Tanzanian shilling was devalued, at the urging of the IMF, from 17 to the US dollar to 193 to the dollar.**
- **Prior to the process of steep devaluations, the cost of an imported truck averaged TSh 500,000; today the same truck costs TSh 6 mn.**
- **Today, real wages of government workers are 14 per cent of what they were a decade ago.**
- **Manufacturing and mining's combined share of the gross domestic product declined from 13 per cent in 1976 to 8 per cent in 1987.**
- **Under the reform programme, total foreign debt has grown nearly 50 per cent, from $3.5 bn in 1986 to $5.1 bn in 1989.**
- **In 1981, 98 per cent of all primary school-age children were in school; by 1988 the figure had declined to 76 per cent.**

As shares of total government spending, the Ministry of Health's budget fell from 6.0 per cent in 1980 to 4.8 per cent in 1988, while the Ministry of Education's share declined from 13.3 per cent to 8.3 per cent over the same period. Devaluation, by raising the costs of imported medicines and health equipment, has limited these resources further.

At the Magomeni health clinic in Dar es Salaam, Martina Mung'ong'o, the deputy district medical officer, explains that funds are often lacking to purchase even the most essential medicines. Before, she says, the clinic treated 1,000 patients a day. Now, with the scarcity of drugs, only half that number bother to come. "In the past the shortages were just for a month or two," Ms. Mung'ong'o recalls. "Now they are continuous." The clinic shows other signs of deterioration as well. The roof leaks. Many lights do not work. Some water taps are broken. The sewage pipes are blocked.

The physical conditions at Muhimbili Hospital, one of East Africa's largest, have been maintained — and would put similar institutions in some richer African countries to shame. But Muhimbili has also faced cuts. According to Director Philemon Sarungi, ever since 1986 the hospital has had to operate on a budget that is well below actual needs. In 1989-90, it fell short by a full 43 percent.

Tanzania's large primary school system is likewise in decay. In poor urban neighbourhoods like the sprawling Kinondoni district, the schools lack desks and chairs and classroom space is so limited that some grades meet outside, under the trees. Rural schools are in worse condition, and textbooks have become increasingly scarce. Many teachers, who are poorly paid, must spend part of their time on outside income-earning activities. In 1981, some 98 per cent of all primary school-age children were in school, but by 1988 the figure had fallen to 76 per cent.

Water systems have deteriorated in both urban and rural areas. While adequate rains over the past few years have brought good harvests of maize and other staple foods, nutritional problems remain. The UN Children's Fund (UNICEF) notes that 40 to 60 per cent of rural children under five suffer from malnutrition, as do 20 to 30 per cent of urban children.

Growing public concern over such trends has been a prime factor in the increased emphasis that the government and donors alike intend to place on social issues. The ESAP explicitly calls for greater budgetary allocations to health, education and other social services in the coming years. The government has drawn up a Priority Social Action Programme within the ESAP to channel resources toward the most critical areas. Funding for this three-year priority programme, estimated at $315 mn, will rely almost entirely on donor countries and agencies. Of that amount, just over half has already been pledged.

The ESAP also looks toward a revitalization of community self-help efforts to supplement existing resources. At the World Bank's recommendation, user fees will also be introduced for some services. But Tanzanian officials are not sure this is feasible. "How much can deprived people contribute?" asks Prof. Malima, the Planning Minister.

Agriculture picks up

Recovery in the agricultural sector has been especially strong in food production, with the past three years bringing bumper harvests of maize, paddy rice and root crops,

LDC

Tanzania's staple foods.

Among Tanzania's traditional export crops, only cotton has seen a significant increase in output, though the production of several others (coffee, cashews, tobacco) has ceased to decline or has risen moderately.

According to Mr. Wassira, the Agriculture Minister, the reasons for agriculture's enhanced performance include favourable weather, some improvement in fertilizer and farm implement supplies, and higher producer prices. The 1990-91 season has brought another increase in real producer prices for wheat, rice, beans, cotton and tobacco.

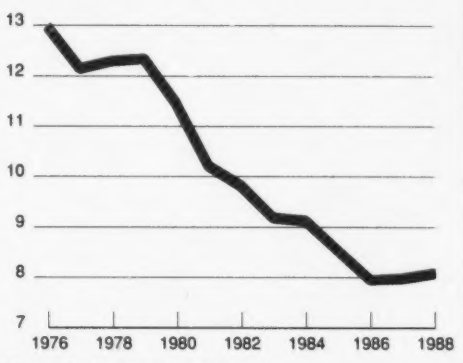
It is proving difficult to sustain agriculture's momentum, however. Mr. Wassira cites a variety of factors: poor storage facilities, inadequate marketing and processing systems, and the abysmal state of Tanzania's transport network (which is estimated to result in $200 mn in lost income each year). Because of devaluation, he says, many cotton farmers can no longer afford imported pesticides.

The liberalization of the grain trade had been intended, in part, to enable private merchants to compete against the agricultural co-operatives and thus push up prices to the farmer. But many co-operatives owe large debts to the banks and last season were unable to obtain credits to purchase maize, leaving farmers in the remoter regions of the country little choice but to sell to private traders at low prices. "There was no real competition," says Mr. Wassira, who predicts that as a result, maize production in the southern regions may fall by 30 per cent this year.

Uncertainty over producer prices has been a handicap to efforts to boost production of export-crops, particularly coffee. "You try to give more to the farmer," states Mr. Wassira, "but the world market gives you less. What do you do? You have to accept what the world market wants, which means cutting the price to the farmer."

To counteract this problem, the ESAP projects increasing the farmers' share of the export price. Toward that end, marketing costs are to be cut through a further reduction in the size and role of state marketing boards, which will be limited to acting as auction or marketing agents on behalf of the co-operatives, in addition to providing quality control and market intelligence.

Tanzania's industrial decline
(% manufacturing and mining share of GDP)



Source: Planning Commission of Tanzania

Among other measures to strengthen agriculture, the ESAP aims to improve crop storage methods and facilities (post-harvest maize losses now reach 30 per cent, for example), overhaul the agricultural extension service, and rehabilitate the country's decaying road network.

Overall, agriculture now receives an average of 20 per cent of Tanzania's annual investment budget, compared to 7 per cent in the early 1980s. Stressing the need for a higher priority on agriculture, Prof. Malima quotes a proverb: "You can't starve the cow that gives you milk." ■

New investment code

Aiming to mobilize additional financing, Tanzania is taking steps to encourage greater participation by private investors, foreign and Tanzanian alike.

Following two years of consideration, a comprehensive investment code was published in April 1990 outlining the sectors where private investment is welcome and specifying the incentives on offer. The code includes various tax breaks and makes the repatriation of profits easier. It reaffirms the constitutional guarantee of property ownership rights. One World Bank official in Dar es Salaam characterized it as a "state-of-the-art" investment code.

The sectors in which private investments are encouraged include agriculture and livestock, tourism, mining and petroleum, manufacturing, construction, transport, and transit trade. Trading, certain services and clothing and leather goods manufacturing are reserved for local investors only, unless a foreign investor is willing to put in $250,000 or more.

Other areas are reserved exclusively for the public sector (armaments, railways, utilities, banking). But there may be exceptions if the investment can improve the balance of payments or otherwise help advance development goals. Air Tanzania has already announced that it will issue private shares, banking itself may be opened up following an on-going financial sector review.

UN Africa Recovery/Betty Press

Industry Minister Cleopa Msuya

Even before the code's publication, a few foreign investors had already set up new operations. While Tanzanian officials are hopeful that more will follow, they do not anticipate a major inflow of capital. "To be realistic, we have to say that there is a limit to expectations for countries at a stage of development like Tanzania," says Industry Minister Cleopa Msuya. "It is not the attractiveness of the investment code that is going to make the difference whether people invest or not. It is the attractiveness of the overall economic environment." He sees the poor state of Tanzania's roads, ports, and communications as a major disincentive.

Government officials also believe that it will be difficult for Tanzania, or any African country, to compete effectively with the investment markets in the dynamic economies in regions such as Southeast Asia and with the new openings in Eastern Europe.

Togo: fragile economic upturn

By Ernest Harsch in Lomé

Often hailed as a forerunner in privatization and other market-oriented strategies for economic recovery, Togo is still striving to build a sound foundation for sustainable growth and development.

Togolese officials express satisfaction over their country's recent economic performance. "Since our country has implemented a policy of structural adjustment," says Planning Minister Barry Moussa Barque, "there has been real growth." Over four of the past five years, Togo's real growth rate has been 3 per cent or higher. Officials also point to other signs of progress, including significant improvements in the incomes of cash-crop farmers and the maintenance of an open and stable climate for private sector involvement that has had some modest success in encouraging new investments.

Yet this satisfaction has been tempered by recognition that the economic improvements have been fragile and uneven and that production and investment levels have not responded to Togo's economic reform programme as quickly as expected. Moreover, worrying social costs have been incurred, marked by some deterioration in health, nutrition, education and employment.

Despite abundant praise from its aid partners and despite repeated debt reschedulings, Togo has also found few improvements in its external economic environment. World market conditions remain unfavourable and international financial support has been less than hoped for. "The adjustment programmes run so far have failed to generate an influx of foreign funds in keeping with our growth targets or our debt," says President Gnassingbé Eyadéma.

Togo at a glance, 1989

Population:	3.44 million
Population growth rate:	3.2%
GDP per capita:	$390 [1]
Currency:	CFA franc (CFA289 = US$1)
Gross domestic product:	CFA 430 bn ($1.49 bn)
of which: agriculture:	33.9%
mining:	8.0%
manufacturing:	8.5%
commerce:	21.6%
Total external debt:	$1.21 bn [2]
Debt per capita:	$367 [2]
Aid per capita:	$38.60 [1]
Life expectancy at birth:	51 years
Infant mortality rate:	93 per 1000 live births
Adult literacy rate:	40%

1. 1987 data. 2. 1988 data

The seriousness of Togo's long-term difficulties had been symbolized by its classification, in 1982, as a "least developed country" (LDC), one of several African countries to fall into the LDC category over the course of the decade.

Togo may be better endowed in terms of agricultural and mineral resources and certain infrastructure (such as a well-developed highway network) than a number of other African LDCs. Its per capita GDP in 1987 was US$390 and its adult literacy rate is about 40 per cent; both figures are somewhat above the LDC average. But the structural weaknesses of Togo's economy and its extremely limited capacity for overcoming them are fundamentally little different. Manufacturing's contribution to total output — one of the key LDC indicators — is a mere 8.5 per cent.

The tough economic reforms to which the government has committed itself aim first of all at overcoming the most immediate imbalances in its economic performance. But they also hope to prepare the basis on which the country may eventually raise itself out of the least developed category.

Phosphate boom and bust

Most analyses of Togo's slide into economic crisis see its beginnings, paradoxically, in the phosphate boom of 1974.

Before the first phosphate exports in 1961, the country had relied primarily on the sale of cocoa and coffee for its foreign exchange earnings. The development of phosphate mining provided an important addition to this limited export mix and it soon became Togo's principal source of growth and revenue, accounting for 61 per cent of export earnings by the early 1970s.

> ***"Since our country has adopted a policy of structural adjustment, there has been real growth."***
>
> Planning Minister Moussa Barque

In late 1974 world phosphate prices quadrupled. Buoyed by a consequent doubling of its budgetary revenues the following year, the government embarked on an ambitious industrialization drive, sharply stepping up public investments and creating numerous state-owned enterprises, ranging from manufacturing enterprises to trade, marketing and banking institutions. Phosphate prices soon plunged back down, but a boom in cocoa and coffee prices in 1975-76 kept the investment momentum rolling. The government also borrowed heavily, much of it on commercial terms.

This public investment drive soon proved unsustainable, in large part because export earnings fell back to pre-boom levels — and then continued downward. With receipts well below anticipated levels, Togo began to incur large payments arrears on its external debt. Its current account balance, which had been slightly positive in 1970, was negative to the tune of $234 mn by 1978. Reflecting the commercial terms of much of Togo's borrowing, debt servicing costs rose sharply. Togo was obliged to seek repeated debt reschedulings.

Compounding these difficulties were the disappointing returns on the large investments of the mid-to-late 1970s. Some projects had been launched hastily, without serious advance study of their costs or potential markets. Many were weighed down by high personnel costs or crippled by "bad management and corruption," President Eyadéma later acknowledged.

Not all state enterprises were inefficient or became a drain on government resources. But Minister for Industry and State Enterprises Koffi Djondo emphasizes that many functioned poorly enough to lead to a "haemorrhage of our public finances."

First signs of upturn

Alarmed by the deteriorating situation, the Togolese

government, as early as 1979, embarked on an initial series of stabilization measures. In 1982-83 it adopted a more rigorous structural adjustment programme supported by the International Monetary Fund (IMF) and World Bank. With a fourth structural adjustment loan now under negotiation between Togo and the Bank, Togo's is one of the longest running adjustment processes in Africa.

Like other countries that use the CFA franc, which is pegged to the French franc, Togo was not in a position to employ one of the more common instruments of adjustment, currency devaluation. This meant that it had to rely to a greater extent on other adjustment measures.

Some two dozen non-profitable state enterprises have been privatized or liquidated. The civil service was reduced (largely through attrition and early retirement) by about 2,000 employees. A salary freeze was in effect from 1983 to 1986, and then again from 1988 to 1989. On top of this, a 5 per cent "solidarity" tax has been levied on all public and private sector employees since 1983. Non-productive sectors saw their budgetary allocations contract: between 1982 and 1985 education's share of total government expenditure fell from 22.9 per cent to 11.7 per cent, while health went from 6.1 per cent to 3.6 per cent.

There has been an increasing emphasis on diversification away from phosphates and on strengthening those sectors perceived as having the greatest potential for growth — agriculture and light industry. In the 1988-89 public investment programme, the bulk of allocations were directed toward agriculture (35 per cent) and infrastructure (45 per cent).

Other measures were designed to strengthen the economy's traditional role as a regional entrepot. This included the expansion of warehousing facilities for goods transhipped through Togo from neighbouring states, as well as a further liberalization of trade and banking regulations.

In terms of production levels and other macro-economic indicators, the results have been encouraging, though not spectacular. GDP has grown by an average 3.3 per cent a year since 1985, though some government projections point to a disappointing rate of 2.5 per cent for 1990.

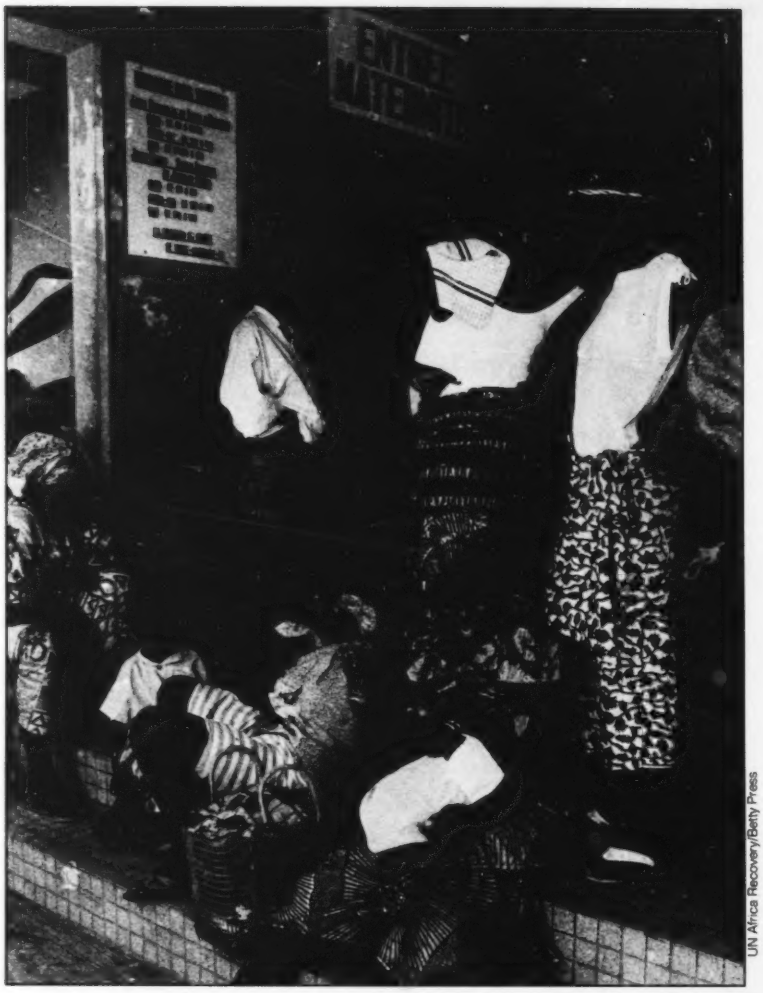
The budget deficit was brought down modestly, from a ratio of 7.7 per cent of GDP in 1983 to 6.3 per cent last year (despite a sharp rise in 1987 and 1988). Thanks to increased economic activity, private consumption was able to rise an average of 7.6 per cent a year between 1984 and 1989. Inflation has been reduced from an average of 13.2 per cent in 1980-82 to an estimated 2.1 per cent in 1989.

Privatization at the fore

One of the most prominent features of Togo's adjustment process has been its emphasis on privatization.

Thus far, 29 enterprises have been affected by the privatization programme, which is one of the most ambitious on the continent, encompassing more than a third of all public-sector operations. The ultimate aim is to reduce state involvement to a minimum in most "non-strategic" economic activities.

Of the 29 enterprises, 10 were simply liquidated, 14 were fully or partially privatized, and agreements are yet to be concluded on five others. Although Togolese entrepreneurs have taken shares in a few of them, foreign investors have tended to play the dominant role.



UN Africa Recovery/Betty Press

Maternity ward in Lomé. Health spending has fallen due to economic crisis and austerity policies.

Some of the privatized firms, after retooling, staff reductions and rationalization of their production lines, have fared quite well. The privatized steel enterprise, now called the Société Togolaise de Sidérurgie (STS), began turning a profit within a year of its opening in 1984 and has done so every year since — although behind the protection of a 41 per cent tariff. "I'm for tariffs," says STS's chief executive, the US entrepreneur John Moore. "Industries in small countries need protection."

Some aid officials argue that the initial divestitures gave excessive advantages to the newly privatized firms and were not clearly prepared with a view to maximizing benefits to the Togolese economy as a whole. The immediate proceeds from the sale of assets were in many cases enough to cover only the severance pay of workers made redundant.

A further 18 enterprises (in which the state has either majority or minority holdings) have been identified for eventual privatization or liquidation, including several banks and hotels, a cement works, a brewery and an oil

palm plantation.

The government is to retain a majority or sole share in more than two dozen other enterprises, some of them among the largest in the country. But even these have had certain non-essential activities eliminated and are to undergo a thorough reform of their management and functioning, so as to reduce waste and improve efficiency.

Stimulus for industry

The privatization programme was initially a response to the need to cut losses in the public sector. Subsequently, its role as a stimulus to private investment and, thereby, to diversifying the economy, was recognized. As interest shifted toward the active encouragement of new private sector initiatives, it became evident that a range of other incentives and policy reforms were needed, especially given the weakness of Togo's industrial base.

The manufacturing sector consists of about 100 enterprises, but employs only 1 per cent of the economically active population. It is concentrated in the Lomé area, and produces mainly for the domestic market — a very small market, since Togo's population is only 3.4 million. Productivity is low and manufacturing activity is poorly integrated with the rest of the economy: about 90 per cent of inputs are imported.

On the positive side, Togo has good transport and telecommunications links. Its physical infrastructure is to be strengthened further over the next few years through new investments in roads, electrical power and water supply.

Togo also has a relatively well-developed banking system. It serves as a financial and trade centre for a significant portion of the sub-region, and there is plenty of liquidity available to finance industrial undertakings. Nevertheless, Togolese entrepreneurs often complain about the high cost of credit, while small-scale operators find access to bank financing exceedingly difficult.

Export licensing of manufactured goods was abolished in March 1988 and at the end of that year the Investment Code was revised to make application procedures and

New focus on social dimension

While a number of Togo's key economic and financial indicators have shown some improvement in recent years, and while certain groups have benefitted from higher incomes, among them export crop producers, the upturn has yet to be felt in the living standards of major sectors of the Togolese population. Most troubling, many of those with the lowest incomes and least access to social services and benefits have seen a further deterioration in their position as a result of Togo's economic difficulties and of the stringent measures adopted to address them.

UN/Africa Recovery/Ethel Heron

Women drawing water in Agbassa, Togo, where farmers have been resettled on previously uncultivated land, with the support of the European Development Fund.

This has spurred Togolese planners and international funding agencies to place a greater accent on measures to safeguard the more vulnerable layers of the population and, more broadly, to strengthen the social sectors. Said Minister of Economy and Finance Komla Alipui in his 1990 budget presentation, "The adjustment effort will in reality only have a lasting result if a policy to protect and strengthen human resources, the key factor in recovery, is carried out, taking into account the consequences that adjustment may have on the population, especially in the areas of health, education and employment."

In education, Togo had been able to achieve major gains in the 1970s, including an increase in the primary school enrollment rate from 40 per cent to 72 per cent. But between 1981 and 1985, as a result of the cuts in educational spending, this slipped back down to 55 per cent of the school-age population, rising to 58 per cent by 1987.

Health presents a similar picture. Following significant improvements in the 1970s, the crisis years of 1980-83 brought a sharp cut in real per capita health expenditures by 30 per cent. Some cuts were subsequently restored, but by 1986 real spending per person was still one-fourth less than in 1980. Typically, rural areas suffered the greatest deterioration. Supplies of medicines and medical equipment fell drastically in many health clinics.

During the first half of the 1980s, unemployment had increased to an estimated 20-25 per cent of those active in the formal sector. Government estimates indicate that by 1989, in addition to the 2,000 positions trimmed from the civil service, 6,000 Togolese had lost their jobs in state-owned enterprises, while another 10,000 were made jobless in the private sector. Few of the newly unemployed received any benefits or assistance in finding new jobs. Several new investment agreements, especially in the textile industry, promise to create thousands of additional jobs in the next few years. Yet overall, new job creation has

LDC

eligibility criteria simpler. Import duties — and a confusing range of exemptions — have by and large been replaced by a more uniform system of customs tariffs. "The development of private investment necessitates the formulation of clear rules of the game," stated a Ministry of Planning report.

Taking into account the difficulties Togolese entrepreneurs have confronted during the initial phases of the privatization programme, a Common Investment Fund is being established to help national investors acquire shares in enterprises that are being privatized.

Concern for small businesses is not limited to the formal sector. An Artisan Division has been created within the Ministry of Industry and State Enterprises to assist Togo's significant informal sector. "In many African countries the attitude is to just let the informal artisans go along on their own," says Mathey-Apossan Dossèvi, head of the Artisan Division. "But they're a very big force, and we need to help them."

This involves assistance in the procurement of raw materials, the purchase and maintenance of equipment, training and marketing. Since the informal sector is composed of many small operators — perhaps 75,000 in all — scattered throughout the country, the Artisan Division is also seeking to help organize them into autonomous associations, grouped by profession, such as mechanics, weavers, hairdressers, caterers, and electricians. This has proved difficult — informal artisans are, by their nature, "individualists," says Dossèvi. But the Division is seeking to convince them that if they group together they will be better able to present their views and concerns at the policy-making level.

UN Africa Recovery/Betty Press

President Gnassingbé Eyadéma: "If the people don't find food to eat, they will go out to demonstrate."

At the other end of the spectrum, the government is offering special incentives to induce foreign investors to set up new manufacturing operations in Togo. In late 1989, a law was passed defining the legal regime for the establishment of Export Processing Zones. For firms exporting at least three-quarters of their output and reserving 80 per cent of their jobs for Togolese, the plan offers a 10-year tax holiday, reduced electricity and telecommunications rates and exemption from import and export duties. The project is backed by the US Overseas Private Investment Corporation (OPIC).

It is still too early to judge whether the high hopes for the export zones will be fulfilled. Although land for the initial processing zone has already been cleared at the Port of Lomé, it may take a year or more before the first enterprise begins operations.

One of the first companies to queue up for the new export zones is John Moore's STS. He believes such generous incentives and reduced red-tape are vital if Togo is to attract significant amounts of foreign investment. "Africa has got to sell itself," he says. "The world is not going to beat a path to its door."

Incentives for export crops

Potentially the strongest and most dynamic sector of the Togolese economy is agriculture. It accounts for 30 per cent of GDP, 30 per cent of export earnings, and three-quarters of the economically active population. Togo has escaped the severe climatic and ecological shocks that have afflicted the Sahelian states. Nevertheless, agricultural output remains highly vulnerable to fluctuations in rainfall, given the general absence of irrigation and the low level of productivity.

The government's single most important step toward boosting production was to increase significantly producer prices for cocoa, coffee and cotton. Between the 1983-84 and 1986-87 crop years, producer prices for cocoa were increased by 31 per cent, for coffee by 38 per cent and for cotton by 50 per cent.

proved slower than expected.

In the view of Planning Minister Barque, Togo would have been worse off if it had not opted for the rigours of structural adjustment: "This liberalism will create more jobs than the state interventionism that we had before."

Nevertheless, concern is growing that further deterioration in Togolese living standards may spur social upheaval, as it has in several neighbouring countries. "We needn't be surprised if in Africa we have social problems," remarks President Eyadéma. "If people don't find food to eat, they will go out and demonstrate."

Seeking to address such concerns, the next structural adjustment programme, Togo's fourth, is expected to place a major emphasis on the protection and strengthening of the social sector.

Greater budgetary resources are to be devoted to both health and education, to allow the provision of essential equipment and supplies (such as basic medicines), the rehabilitation of existing facilities and the construction of new classrooms and health clinics in the most deprived rural zones. To raise nutritional levels, a wide range of measures are planned to bolster food production and marketing. Rural communities, in collaboration with village associations, co-operatives and other non-governmental organizations, are to be encouraged to take on greater responsibility for local development activities. Special programmes are envisaged to promote income-generating opportunities for women.

In addition, the more general emphasis on stimulating economic growth aims in large part at easing the employment situation. This is to be reinforced through placement programmes for young farmers and artisans, assistance to the informal sector and increased reliance on technical education.

Togo: economic indicators

	1983	1984	1985	1986	1987	1988	1989
GDP at current market prices (CFA bn)	298.0	313.8	338.2	362.5	375.1	405.9	430.0
Real GDP growth (%)	–1.3	1.2	3.1	3.3	1.5	4.9	3.6
Government deficit/GDP (%)	7.7	7.3	6.6	9.1	9.1	5.3	6.3
Exports ($mn)	366	391	408	434	474	521	n.a.
Imports ($mn)	469	432	497	592	629	632	n.a.
Current account balance ($mn)	–43	26	–27	–88	–88	–50	–45
Total external debt ($mn)	914	806	936	1065	1235	1210	n.a.
Debt service ratio (%)	39.2	34.3	34.5	39.9	39.1	34.8	27.1
Phosphate production (mn tons)	2.01	2.56	2.45	2.32	2.60	3.30	3.36
Cocoa production ('000 tons)	9.8	16.5	9.8	14.3	12.6	9.6	8.0
Coffee production ('000 tons)	5.9	3.0	10.1	8.6	11.4	11.2	14.7
Cotton (seed) production ('000 tons)	27.5	24.4	54.7	63.3	79.1	67.0	86.5
Maize production ('000 tons)	145	222	182	127	172	296	245
Cassava & yam production ('000 tons)	728	786	839	820	716	792	803
Food production per capita (1979-81=100)	86	92	92	91	91	n.a.	n.a.
Exchange rate (CFA per $1)	417	479	378	322	267	302	289

n.a.= not available

Sources: Government of Togo, World Bank, IMF, Banque Centrale des Etats de l'Afrique de l'Ouest.

The government hopes Togo's tiny manufacturing sector can be strengthened through new export processing zones.

The most spectacular response was in cotton output, with seed cotton production more than doubling between 1983 and 1986, from 27,500 tonnes to 63,300 tonnes. By 1989 seed cotton production had climbed to 86,500 tonnes. Nearly half of Togo's approximately 260,000 small-holders are now cultivating cotton on at least part of their farms.

Coffee output has also increased, from 10,000 tonnes in 1985 to 14,700 tonnes in 1989. The cocoa sector, however, has not fared as well, falling from 16,500 tonnes in 1984 to 8,000 in 1989, despite the significant increase in the producer price over most of that period. This is partly due to the age of most cocoa trees. Output figures, however, are hard to interpret as a significant portion of cocoa and coffee marketed in Togo is believed to actually originate from Ghana through illicit cross-border trade.

UN Africa Recovery/Betty Press

With higher farmgate prices and greater marketed output for cotton in particular, these measures are believed to have had a significant impact on the incomes of a sizeable portion of the rural population. The World Bank estimates that export farmers benefitted from an average 97 per cent increase in incomes (in real terms) between 1982 and 1986.

This progress is now being undermined, however, by the collapse of world cocoa and coffee prices.

The Office des Produits Agricoles du Togo (OPAT), the country's main agricultural export agency, has been obliged to reduce producer prices over the past two seasons from CFA 360 to CFA 225 per kilo for cocoa and from CFA 400 to CFA 175 for coffee. "We hope this situation changes soon," remarks OPAT Director Katanga Tcha. "If not, the peasants will abandon these products."

For officials of OPAT, the Ministry of Rural Development and other agricultural institutions, the decline in international prices has highlighted the importance of implementing further reforms, particularly in the marketing system, to reduce overhead costs.

Overall, Togo's food situation is somewhat more favourable than in many other African countries. In non-drought years, Togolese farmers are able to meet the bulk of domestic food needs. This is despite the low levels of productivity in the food sector and a more limited access thus far to the kind of credit, marketing facilities and extension services that are accorded to export crops.

Production of sorghum and millet, the main cereals in the northern regions, which hovered around 130,000 tonnes in the early 1980s, had climbed to nearly 240,000 tonnes by 1989. Even in 1987, a year of poor rains, it reached 168,000 tonnes. Maize, grown mainly in the Maritime and Plateau regions in the south, has experienced particularly strong growth, nearly doubling between 1977 and 1989 (although with considerable annual fluctuations). Most of these increases came from an expansion in cultivated land areas, and only secondarily from modest improvements in productivity.

With the appearance of surpluses in maize production in

the south, the government has liberalized grain exports in order to expand the market for food crops, providing new income-earning opportunities for food producers and helping to diversify exports.

There is little room for complacency, however. Food production has been uneven, both geographically and by crop. The southern regions, where maize is more dominant, can often boast of surpluses. But in the north — where climatic conditions are more unfavourable and where the production of staples like cassava and yams has stagnated — deficits frequently occur.

Although Togolese entrepreneurs have taken shares in a few of the privatized firms, foreign investors have tended to play the dominant role.

Moreover, the food sector has not benefitted from the kind of incentives accorded to export crops. Farmgate prices for food crops have, at best, increased only incrementally. Between 1985-88, investments in export-crop projects were twice as high as for integrated rural development projects. Nutritional studies have shown a particular decline in food production in the cotton-growing regions, as farmers shift toward the more profitable crop.

As part of the increased concerns over the social consequences of adjustment, new policies are being formulated to bolster food production. These are to include improvements in irrigation, the expansion of cultivated land areas, the development of animal traction, the extension of roads and marketing systems in the more isolated regions and support for peasant co-operatives and local community initiatives.

External constraints

A continuing difficult external environment adds to Togo's domestic problems. Though a beneficiary of repeated debt reschedulings (and some outright debt cancellation), as well as of increased development assistance and concessional financing, Togo still finds itself in a tight financial position. The consequent pressure on resources available for investment raises questions about the sustainability of its recent economic upturn.

The first years of Togo's adjustment process, coinciding with the country's classification as an LDC, brought an improvement in its financial prospects. As an LDC, Togo was able to benefit from some debt relief, bringing its total debt stock down by one-sixth between 1982 and 1984, from $954 mn to $806 mn. Financing by both multilateral and bilateral donors picked up markedly, in conjunction with some rescheduling of debt payments. Official development assistance rose from an average of $24 per person in 1981 to $41 in 1983, a level that generally has been sustained since then.

In recent years, however, Togo has been confronted with the all-too-familiar predicament of a rising debt burden and falling terms of trade. Earlier debt reschedulings led to a bunching of repayments in the latter part of the 1980s, the same years when world prices for cocoa and coffee plunged most precipitously. By 1987, even before the sharpest drops in the world market, Togo's terms of trade index had deteriorated to 77.2 per cent of its 1980 level. In 1988 alone the country suffered $40 mn in losses as a result of lower commodity prices.

Although the trade situation has remained bleak, the past year brought a slight improvement on the financial front. The French government wrote off $145 mn of bilateral debt. In June 1989 Togo was able to benefit from the new menu of debt rescheduling terms approved by the Toronto summit, when the Paris Club of official creditors agreed to a package that helped to reduce Togo's overall debt servicing burden from $155 mn to $100 mn. As a result, Togo's actual debt repayments in 1989 were some 27 per cent of estimated export earnings, an improvement from the 39.1 per cent ratio of two years earlier. Nevertheless, obligated debt servicing was again set to rise significantly in 1990, to $124 mn.

UN Africa Recovery/Betty Press

Planning Minister Moussa Barque (right), Industry and State Enterprises Minister Koffi Djondo (centre), and Information Minister Kwaouvi Benyi Johnson.

Projections by the Ministry of Planning and Mines suggest that Togo will need $556 mn in new borrowing over the period 1990-95 to finance its investment plans. But even this level may be too low, since it assumes a significant increase in export receipts based in part on higher prices for phosphates, cocoa and coffee — the same commodities that have been faring so poorly.

Speaking at an inter-governmental meeting in Geneva on 4 April 1990 to help prepare for this September's LDC conference in Paris, Togo's delegate, Nondoh-Adabi Tcha, cited the negative impact on the Togolese economy of the decline in international commodity prices. He said that, while Togo was seeking to implement policies aimed at reducing the current account deficit, attaining food self-sufficiency and ensuring a more equitable distribution of income, its extremely limited resources meant that the success of these efforts continued to depend on substantial outside aid. ■

Poverty

from page 1

The new emphasis on poverty eradication implies recognition by leading donors that structural adjustment in the 1980s failed to shift resources in favour of Africa's poor. The Bank, however, maintains that establishing an "appropriate macro-economic framework" is essential for growth, and for specific anti-poverty policies.

Other analysts raise, and the Bank acknowledges, the potential contradictions of this approach. Nevertheless, the Bank's publication of its first major report on poverty in a decade has advanced prospects for consensus with other influential policy-making institutions, such as UNICEF and the Economic Commission for Africa, which have pointed out the adverse socical impact of adjustment in the 1980s.

Challenge of the decade

"Success in reducing poverty should be the measure of global economic progress" in the 1990s, declared World Bank President Barber Conable, at the September annual meetings of the Bank and IMF in Washington. The five UN agencies meeting in Rome had also stressed the global challenge of poverty-reduction. Women must become the central priority in policies which help the poor become a source of growth and not objects of charity, declared UNDP, the International Fund for Agricultural Development, UNICEF, the UN Population Fund, and the World Food Programme, together with the UN Department for Development and International Economic Co-operation.

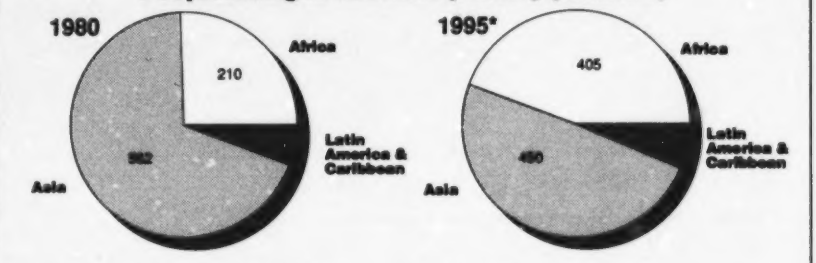
The UNDP report argues that rather than relying on market forces, governments must ensure equitable development and promote the interests of the poor. It criticizes the "obsession" with national income in the 1980s, asserting that "economic growth seldom trickles down to the masses."

The Bank acknowledges that "the poor are especially vulnerable during adjustment. Protecting them at such times becomes more urgent and more difficult." It notes that the requirements under structural adjustment of depressing demand and cutting public spending undermine the two basic anti-poverty measures it recommends: employment and income-generation, and delivery of social services (with increased provision of targeted resource transfers and safety nets for the poor).

Therefore, the Bank says, the mixture and timing of adjustment measures are crucial, and the key is rapid and simultaneous action on creating the conditions for future growth, and easing the drop in living standards during the transitional period. This combination, it argues, permits effective adjustment and "relatively favourable results" for the poor.

In order specifically to cushion the poor during the inevitably hard "transition" period, and generally to support governments with adjustment programmes (citing Ghana as an example), the Bank stresses that "substantial and timely" foreign aid is vital.

People living in absolute poverty (millions)



Source: UNDP, *Human Development Report 1990.*

* projected

The nonpoor are usually politically powerful, and they exert a strong influence on policy...It is important to design poverty-reducing policies that will be supported, or at least not actively resisted, by the nonpoor.

— World Bank, *World Development Report* 1990.

Donors and the external environment

However, both the Bank and UNDP find little cheer from the current state of debt, aid and trade. Both emphasize the need for greater debt relief, increased and more concessional aid flows, and improved market access for developing country exports.

The net outflow of resources from developing to developed countries must end, says UNDP arguing that there is "no real alternative to a substantial debt reduction." The World Bank echoes this view, noting (along with other donors; see page 31) the inadequacy of the 1988 Toronto debt-relief measures.

The Bank stresses that interest payments on debt impede growth in investment, consumption, and the battle against poverty. In 1988, interest payments by low-income sub-Saharan countries (including Nigeria) amounted to $2.9 bn, equivalent to some 27 per cent of the total official development assistance (ODA) received that year. This payments burden is growing: in Ghana's case it was equivalent to 52 per cent of aid grants, 57 per cent for Zaire, and 73 per cent for Togo.

The Bank therefore urges donors to renew efforts towards greater debt relief, while UNDP goes further to propose an international debt refinancing facility co-ordinated by the Bank and Fund which could, among other things, not only share adjustment costs between creditor and debtor nations, but also set external payments to enable notably higher domestic production and employment than at present.

Both reports criticize the falling levels of aid flows (described as "unacceptable" by Mr. Conable in September), and their direction. The Bank points out that if donors allocate 0.7 per cent of their GNP to development aid, total aid flows could nearly triple from the 1988 total of $51 bn to $144 bn by 2000. The Bank also calculates that a 10 per cent cut in North Atlantic Treaty Organization military spending would finance a doubling of total aid flows.

UNDP says that aid for the social sector declined steadily from over 17 per cent of total ODA in 1978-79 to under 15 per cent in 1988. Noting the importance of donor signals, it proposes a new conditionality: that aid levels fall if a country's military budget exceeds its social budget. It also calls for technical assistance that develops local skills and capacities, citing Tanzania which has little to show for the annual $300 mn spent in technical assistance programmes.

The Bank says that not only have aid flows been guided by political, strategic and commercial motives, more than by the concerns of economic development, but also that poverty reduction is generally the least

Towards an index for human development

The UNDP *Human Development Report 1990* argues that human well-being must become the central focus of development planning and analysis rather than the expansion of production and wealth. It stresses that the limitations of current data on human development must be overcome at international and domestic levels in order to sustain a human-centred approach to economic recovery and development.

Social welfare spending, says UNDP, could easily increase if national budgetary priorities shifted from the military, debt payments, and widespread inefficiency in the public sector.

The basic aim in sub-Saharan Africa should be rapid improvement in all primary indicators: child immunization, primary health care (particularly in rural areas), safe drinking water, primary school enrollment, food production and distribution to malnourished groups, and population control.

UNDP expects that all developing countries will, at current rates of progress, attain universal immunization by 2000. However, Niger, Mauritania, Mozambique, Liberia, Ghana, Côte d'Ivoire and Libya are among those needing extra effort to keep on target. To reach the target of universal primary education, UNDP and UNESCO calculate that countries will have to double their current education spending in the 1985-2000 period. The report notes that the average annual increase in spending of some 3 per cent (nearly double the average spending of 1.7 per cent in the 1975-85 period) is equivalent to only 2 per cent of the average annual debt-service of developing countries. Sharp increases in primary school enrollment are required in Mozambique, Malawi and Rwanda, the report says, while recent declines must be reversed in Mali, Morocco, Tanzania and Somalia.

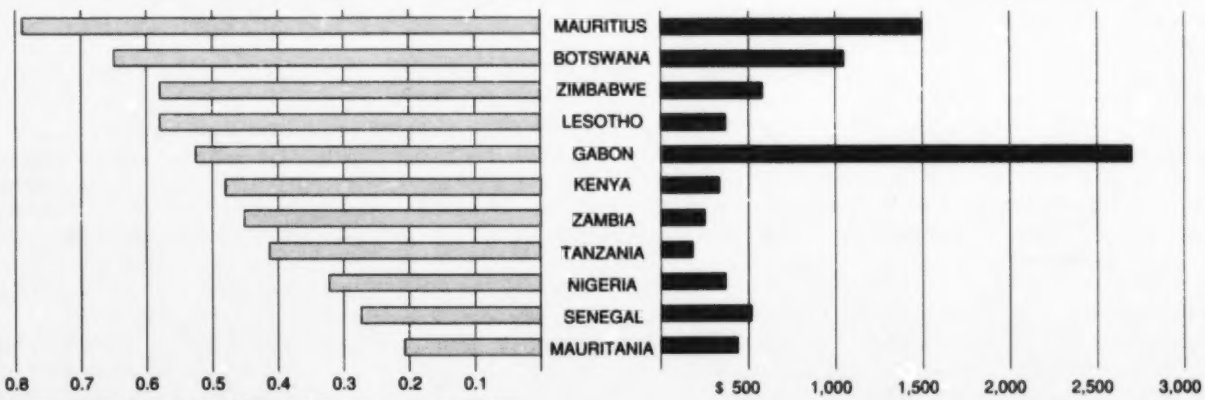
African and least developed countries face the problem of needing to raise investment and social spending to 1970s levels in a period of falling national and per capita income. Ready sources of finance are special taxes, user fees and community contributions. User charges, however, must discriminate between income levels rather than being imposed across-the-board: poor people use available health services less, especially preventive services, the more they are forced to pay for them.

The report suggests new priorities and budgetary reallocation within sectors. Better national coverage for health services, for example, would be encouraged by shifting from curative to preventive services enabling access for the rural majority of the national population.

The report urges donors to make their aid conditional on a better ratio of social to military spending, and also to reduce both development and military debt. Noting that military aid has often increased while development aid fell, UNDP calls for an end to the soft credits and "even illegal gratuities" which facilitate such arms flows.

UNDP suggests an initial and comprehensive inventory of resources and skills alongside all the social indicators. Next would come identification of feasible priorities (with input from the population concerned). Specific goals could then be formulated, based on current levels of life expectancy, literacy and nutrition, then translated into contributory programmes (safe water, primary health care), and finally costed to match available resources.

Human development index of selected countries and their GNP per capita (US$; 1987)



Source: UN Africa Recovery from UNDP *Human Development Report* 1990 data.

The Human Development Index (HDI) combines two indicators — life expectancy and adult literacy — with a novel third indicator which uses real GDP per capita weighted according to price levels in different countries in order to establish the purchasing power needed for a decent standard of living. UNDP acknowledges that these three indicators do not reveal all the inequalities between rural and urban areas, between females and males. However, it says they are an improvement on the usual averages of per capita income which "often conceal widespread human deprivation".

The maximum values used in compiling the HDI were Japan's 1987 life expectancy of 78 years, and adult literacy rate of 100 per cent. A poverty threshold was set at $4,861 using an average for nine industrialized countries. An average was taken of a country's place on the three scales, producing its average human deprivation index, which was then subtracted from 1 to give an HDI ranking in either the low, middle or high categories.

The table of HDI and GNP statistics for selected sub-Saharan countries shows Tanzania and Zambia, for example, doing much better in human development than in GNP, while Gabon and Senegal do relatively worse. Mauritius and Zimbabwe figure among the 10 African countries in the middle human development category, alongside Botswana, Gabon and Lesotho, while no African country appears in the high category.

Among the 130 countries ranked according to UNDP's combined indicators, Africa contributes 17 out of the 20 countries with the lowest human development.

important motive for bilateral aid (which constituted 64 per cent of net aid in 1987). It cites the related facts that 41 per cent of aid in 1988 went to middle- or high-income countries, and that the poorest countries do not necessarily get the highest aid per capita. Furthermore, roughly two-thirds of bilateral aid from the 20 members of the OECD's Development Assistance Committee (DAC) is "tied aid" designed to benefit donor country industries and exporters.

The Bank argues for the continuation of better targeted and higher levels of aid to countries already implementing appropriate adjustment and anti-poverty policies. Others found wanting on poverty reduction would get less aid but better focused on the poorest people through targeting at deficient social services, for example, or at infrastructural support where required.

Turning to international trade and poverty, the Bank asserts that while low-income countries might lose out from free international trade in the short term, there would be long-term gains, given the right macro-economic and institutional reforms, adequate debt relief, and sufficient aid.

Protectionism and rural poverty

It says industrialized countries have erected non-tariff barriers against roughly one-third of developing country agricultural exports, often causing unemployment in their rural areas. Tariff duties are also higher according to the degree of processing done by developing countries, discouraging linkages between their agricultural and manufacturing sectors, and reserving for industrialized countries the benefits of high value-added processing. The result, according to the Bank, is that over 70 per cent of developing country exports of meat, fish and vegetables, and more than 90 per cent of their cocoa and sugar is exported without any industrial transformation.

The Bank estimates that 44 per cent of the benefits of the Generalized System of Preferences (GSP) — operated by most leading industrialized countries — have accrued to only three middle-income countries: South Korea, Taiwan and Hong Kong. And the tendency of the GSP to exclude agricultural exports confirms the evidence that poor people and low-income countries have benefitted little.

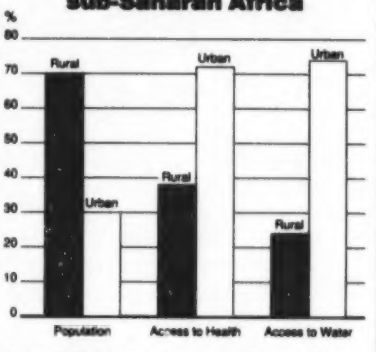
Domestic policy implications

According to the Bank, some 80 per cent of the poor in sub-Saharan Africa are concentrated in rural areas, but urban living standards have also deteriorated sharply in most developing countries. It is therefore essential to increase income-generating opportunities for the poor. However, the Bank warns, poverty-reduction policies should be designed to avoid resistance from more powerful sections of society.

In the agricultural sector, the Bank recommends as elements of a coherent strategy for increasing rural incomes: less taxation of output, improved marketing systems, better infrastructure, and greater access to land, appropriate technology and credit that is subsidized and targeted directly to co-operatives, for example, rather than to an entire agricultural sector).

The report claims that devaluation and changing world market prices make little difference to many of the poorest farmers, but they do suffer from the overall contraction of economic activity that occurs under adjustment. It argues that devaluation tends to result in higher producer prices, raising incomes particularly of small farmers among the rural poor. However, farmers who buy food part of the year must then pay higher prices in the market, the Bank notes. For rural areas particularly poor in resources, the Bank says migration should be encouraged in some cases, while public subsidies could satisfy basic needs elsewhere. The Bank notes that rural food-for-work programmes run by public and private agencies could prevent drought from turning into famine. However, wages should be low in order to attract only the very poorest. It says that direct distribution of food to the poor in distant or particularly stricken regions would remain necessary for years to come in sub-Saharan Africa. Such direct resource transfers are also the best means of aiding pregnant women, children, and the aged in poor rural areas, although the Bank says such activities should be integrated in a priority programme of making basic services (nutrition, health, hygiene, education) accessible to the majority of the population.

Urban - rural imbalances in sub-Saharan Africa



Source: UNDP, *Human Development Report, 1990.*

Turning to urban areas, the Bank warns that adverse medium-term consequences of adjustment are more likely here because the decreasing demand for labour means a plunge in urban real incomes.

It says that job losses in the public and private sectors are usually an essential part of adjustment, and could directly hurt the poor. Unemployment compensation in such cases is not only "politically necessary in the 1990s", but is also a means of reducing the incidence of poverty. The Bank prefers such direct, compensatory transfers to "the most visible losers" in the adjustment process rather than special credit and retraining schemes.

However, it warns that budgetary transfers to the poor are only feasible if other macro-economic targets — inflation rate, investment and savings levels — are met. The Bank maintains that subsidies are extremely expensive during adjustment, and they have to be very well targeted in order to reach only the poor. On income-generating projects, it recommends labour-intensive public works particularly for surplus urban workers, again remunerated at levels low enough to reach only the neediest.

The Bank says the severe structural problems of sub-Saharan Africa make likely a long period of adjustment, during which external aid would have to finance consumption as well as an eventual revival of investment. ■

Selected human development indicators

Category (% unless otherwise stated)	Sub-Saharan Africa	All developing countries
Life expectancy at birth (years)	51	62
Access to health services	45	61
Access to safe water	37	55
Daily calorie supply (% of requirements)	91	107
Adult literacy rate	48	60
GNP per capita (US $)	440	830
Real GDP per capita (PPP$)*	990	1,970

SOURCE: UNDP, *Human Development Report 1990.* *Purchasing power parities (see p. 23).

EXPERTS REPORT

Commodities

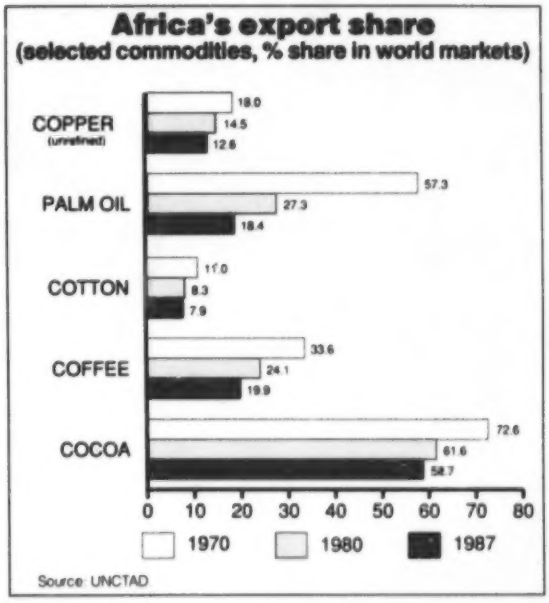
from page 2

While continued protectionism in industrialized markets has often frustrated such efforts in the past, the report urges African countries to continue to give high priority to diversification, both into new commodities and into increased processing. For this, better knowledge of markets is critical.

Increased intra-African co-operation is crucial to an improved commodity performance. The report recommends that the UN Economic Commission for Africa (ECA), in particular, help to further this effort by taking the lead in helping African governments undertake a number of concrete steps to increase intra-regional trade. Many of these measures can be speedily implemented.

At the international level, the report recommends a combination of increased resources for Africa, with improved market access and enhanced producer/consumer co-operation. "The need for commodity co-operation between consumers and producers regionally and globally today is certainly as great as it ever was," the report says. Despite a low success rate, efforts to establish or re-establish international commodity agreements should be increased, the Group recommends. Norway's Ambassador to the UN, Martin Huslid, argues for even greater stress on this aspect in another letter to the Group chairman published with the report. The report argues that where such co-operation is not possible, producers must increase production and marketing co-ordination between themselves. The latter could reap particularly large dividends, the Group believes, with cocoa and coffee, where Africa's market share has fallen dramatically since 1970 (see chart).

The report urges that sufficient resources be channelled into the second window of the Common Fund for Commodities to ensure that its development measures are enacted. This facility, negotiations in the setting up of which were recently concluded in the UN Conference on Trade and Development (UNCTAD), is designed largely to help commodity producers in their efforts to diversify from dependence on the export of just one or two raw materials. Both Mr Abdalla and Ambassador Huslid have put particular stress on this area. "At least for certain commodities the long-term perspectives would seem to lie more in diversification than in an increase in the production of the commodity in question," Ambassador Huslid argues, and he calls for the creation of a special Diversification Fund for Africa.



While the primary focus of the report's recommendations is on African countries, the international community has a crucial role to play if a commodity-led strategy is to succeed. Access to markets is a principal factor in determining the fate of African export efforts (see page 27). In addition, African countries will need access to more resources and "know-how".

The report stresses the huge resource gap between earnings and investment needs. The World Bank estimates this at some $27 bn a year for sub-Saharan Africa, to which the report adds $10 bn to cover the North African countries.

Net official development assistance (ODA) to Africa presently amounts to some $18 bn a year, leaving some $15-20 bn to be covered. Allowing for current rates of growth in industrialized countries some $500 mn of this would come from keeping aid flows at their present ratio to donors' gross national product (GNP). However, if this ratio were to be raised by an average 0.1 per cent for all those countries falling short of the 0.7 per cent UN target for aid, and all this additional aid was earmarked for Africa, this would generate a further $15 bn annually. Increasing Africa's share of current ODA by 10 per cent would provide an additional $4.6 bn.

However, if donors are to be persuaded to increase their aid, African governments can expect to have to show that they are making maximum efforts to improve economic performance. An economic reform programme, including a clear commodity strategy, is important. But there are also a number of specific measures that can be taken. The report urges, in particular, a halving of the share of military expenditure in public spending — from some 10 per cent to a maximum of 5 per cent — which should save some $3.7 bn a year. Improved debt relief is also important, the report says, including finding ways to pay off arrears to the multilateral institutions. The report recommends that the International Monetary Fund sell 20 per cent of its gold holdings over the next few years, the proceeds to help rectify the arrears of poor countries with the Fund.

To ensure that its recommendations are carried out, the Group argues that a follow-up mechanism must be created. It suggests that UNDP, drawing on the resources and expertise of the other international agencies, be responsible for co-ordinating this follow-up process, in particular the development of the commodity sector strategy and policy package, and reporting annually to the UN Secretary-General on the implementation of the report's recommendations.

The report stresses that it does not intend to set a tone of casual optimism or indicate a panacea for Africa's many economic problems. In the past, the advice and practice of policy-making in Africa have underlined a need to move away from commodity production and invest in other, more dynamic, activities. Yet this will only be made possible, the report argues, by paying more attention to commodities. The calamities of recent years have, paradoxically enough, created the conditions in which the necessary radical reorientation of development policy towards using rather than neglecting the commodity sector is now possible, the report concludes. ■

African reservations about commodity report

The Permanent Steering Committee of the Organization of African Unity has said that there are a number of issues which "are either inadequately addressed or left out on which Africa feels strongly" in the report of the Experts Group on African commodities. Details of these reservations will appear in the next issue.

Africa's commodity dependence

EXPERTS REPORT

The commodity sector, because it is so central to African economies, has been both a victim and a contributor to the region's economic crisis, the Experts Group argues. Africa is more dependent upon commodities for its export income than any other region of the world. Yet in 1988, earnings of $18 bn were 26 per cent lower in real terms than in 1980 and 35 per cent lower than in 1970.

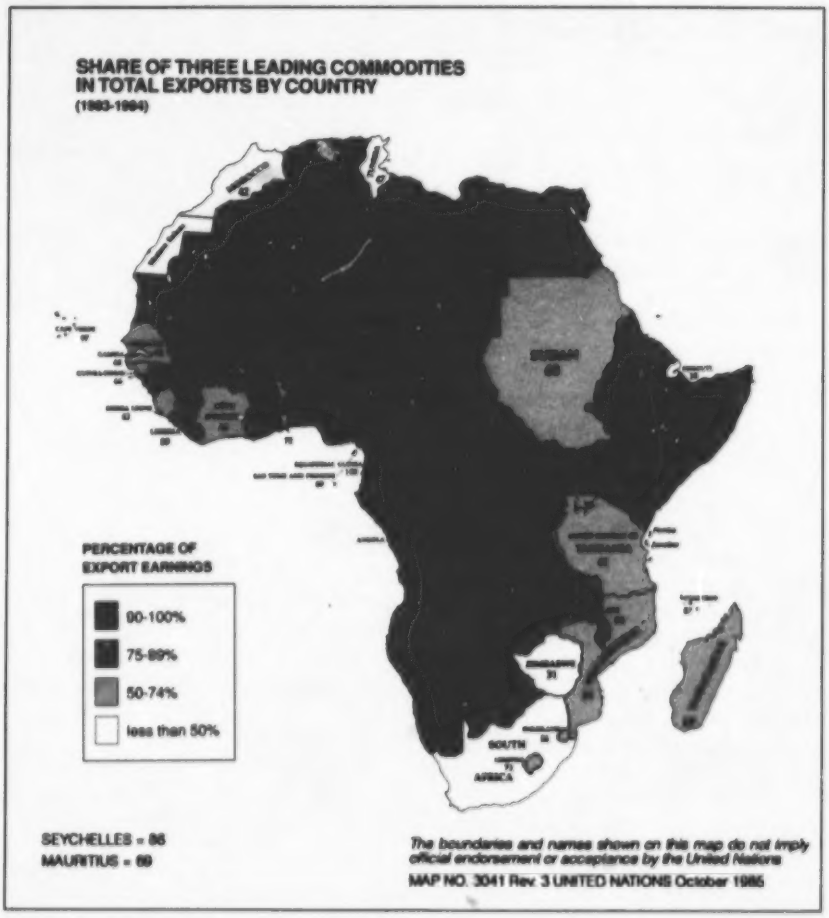
"The decline reflects both basic problems within Africa (and consequentially declining shares in world markets) and deteriorated terms of trade," the report says. The latter was "a major contributor" to the decline in real export income in the 1980s, falling overall by 40 per cent by 1988. In addition, prices have fluctuated widely — often by more than 50 per cent from their overall trend — badly disrupting expenditure and development plans.

But, the report says, other regions have faced similar problems and still progressed, while Africa has fallen further behind. The report illustrates this decline, relative to other producers, with a table showing Africa's falling share of world markets (see page 25). Out of more than 20 commodities covered, only seven increased their market share between 1970 and 1987 — fish products, bananas, sugar, tea, tobacco, bauxite and phosphates. Overall, Africa's share of the non-fuel commodities market fell from just over 9 per cent in 1970 to slightly over 4 per cent in 1987.

The report's scope is not limited to export commodities. It argues that Africa's food production sector has been similarly afflicted. The food deficit for all of Africa is estimated at 30 mn tons a year. Under optimistic assumptions, and for cereals alone, this would rise to 45 mn tons by 2000.

Increased food security is the first priority in the report's recommended commodity strategy. But the means to achieve it are similar to that advocated for the export commodity sector.

The report's basic premise that there are substantial gains to be made from further investment in commodity production is a controversial one. Former Nigerian head of state, Olusegun Obasanjo was one member of the group sufficiently concerned about this aspect, not to sign the report. He criticizes the Group's recommendation of additional substantial investments in the commodity sector without, at the same time, proposing secure and expanding new markets and stable prices. This may be courting further disappointment and even disaster for African governments, General Obasanjo argues.



Tables prepared for the report show that while all but four of Africa's 12 major non-fuel commodity exports enjoyed a rising price trend, in real terms, between 1962 and 1978, none have done so since (see page 27). For sugar, the average annual rate of decline in prices has been more than 12 per cent, for groundnut oil more than 7 per cent, with cocoa prices also declining by an average of more than 6 per cent a year since 1978.

Prospects for many of Africa's major commodities are considered difficult, with output continuing to rise faster than demand. Potential new markets in Eastern Europe and Asia, where incomes are rising, has led to optimism, as the report observes, that demand for many tropical products will rise significantly faster than during the 1980s. But competition for these markets can be expected to be intense, not only from other producers, but also from other products.

Increased sugar demand in Eastern Europe, for example, could be met from improved beet production in the region, as well as from beet suppliers in the EC. Many commodities, including sugar, cocoa and coffee, face difficult market prospects resulting from changing demand patterns in major importing countries, a product of changing tastes and of new technologies which are introducing competitive substitutes. "Against this background," as the World Bank's *From Crisis to Sustainable Growth* points out, "an improvement in raw materials prices is unlikely"; though, as with the Group of Experts report, it stresses the gains to be made from improving productivity and marketing and from diversification into new specialty markets such as horticulture and vegetables.

Diversification is one of the priority areas stressed by General Obasanjo, who, as does the report, calls for "greater and more effective co-operation between producers and consumers." This has primarily taken the form of price stabilization agreements,

Battling for markets

though other forms of co-operation — research and market intelligence — have proved beneficial in the rubber and many of the smaller metals markets. Price stabilization agreements offer the prospect of limiting violent price fluctuations, though consumers have tended to resist producer efforts for price enhancement. For limited periods such agreements — as with coffee in the mid-1980s and more recently with rubber — have been partially successful. When production is rising, however, more stable prices have usually been at the cost of lower export volumes, to the detriment of some producers — such as Kenya in the latter

Commodity price trends*

COMMODITY	1980-89	1985-89
Agriculture:		
[illegible]	[illegible]	[illegible]
Coffee	+3.4	-3.3
[illegible]	[illegible]	[illegible]
Sugar	+7.4	-12.4
[illegible]	[illegible]	[illegible]
Groundnut oil	+3.1	-7.5
[illegible]	[illegible]	[illegible]
Hides & skins	+1.4	-5.9
[illegible]	[illegible]	[illegible]
Copper	-5.3	-3.7
[illegible]	[illegible]	[illegible]
Phosphate rock	+5.6	-3.9
[illegible]	[illegible]	[illegible]

*Calculated as the annual average rate of change of prices (in constant dollars) measured as a percentage.
Source: UNCTAD *Commodity Yearbook 1989*

stages of the coffee agreement. And commodity agreements can collapse spectacularly and at considerable cost, as in the case of the International Tin Agreement in the mid-1980s.

The subsequent history of the tin market, however, has shown the benefits of effective producer co-operation. Export quotas agreed by the Association of Tin Producing Countries have restricted supply and raised prices, but without generating a high incidence of substitution, either of other materials or of alternative suppliers. A number of African leaders in recent months have called for similar producer-only action to help protect cocoa and coffee prices. The report, which declines to urge the international community to impose new price stabilization agreements, does argue the case for more effective producer co-ordination, both in production and marketing, as one of the most effective means of securing a better deal from commodity production. ■

EXPERTS REPORT

Any chance of greater gains from commodity trade is crucially dependent upon access to markets. Diversification efforts, into new commodity exports and into more processed products, are in acute danger of being thwarted by continuing, and in some cases escalating protectionism by industrialized countries, the report argues.

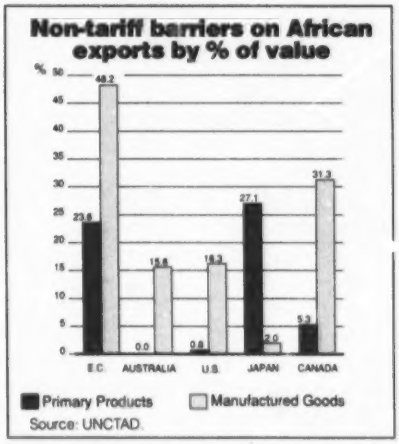
"When we began the study we were told that market access was not a problem for Africa," Malcolm Fraser said in an interview at the UN. "Coming from a commodity producer I wondered whether this was true," the former Australian prime minister said, "and the more we looked at it, the more we came to understand that the question of market access is a very real one indeed."

Generally, market access is not an immediate problem when a country produces only a narrow range of traditional tropical products. Under a series of special trade arrangements, the Generalized System of Preferences (GSP), Most-Favoured Nation (MFN) agreements, and, for the EC, under the Lomé Convention tariff barriers to raw materials are negligible. But, Mr. Fraser points out, when a country's economy starts to grow and to produce new products, the picture changes radically.

Cocoa beans into Japan carry no duty, but chocolate carried a 12.5 per cent charge in 1986, even under GSP terms. In the EC, oilseeds carry no tariff charge under the Lomé Convention, but margarine has a 5 per cent duty. In the United States, MFN arrangements imposed a 8.7 per cent duty in 1986 on fresh tropical fruits, but for fruit juices, the charge was a prohibitive 46.7 per cent.

But even for unprocessed products there is a plethora of non-tariff barriers — quotas, safeguard clauses to protect domestic interests, rules of origin, health regulations — which can prevent access to markets. This is even more true for processed and semi-processed products. Both Mauritius and Zimbabwe, for example, have suffered from such rules on exports of textiles into the EC. African groundnut producers have been similarly hit by Community health regulations. Moreover, the report contends, these protectionist measures are being used more readily and with greater arbitrariness, particularly by the US and EC.

"Against that background, international businesses will not provide considerable sums for export-oriented investments in Africa if they believe that market access to industrialized countries, in particular, might



be shut off. A doubt is sufficient to prevent the investment," the report warns. It points out that while current quotas in the EC for sugar, beef, rice and some horticultural products may not be restrictive, the possibility that they could be reduced, acts as a disincentive to any expansion plans.

Malcolm Fraser cites Ghana as an example of a country which has adopted many of the market-oriented, investor-friendly policies advocated by the World Bank and the International Monetary Fund but where new foreign investment flows remain disappointing. And "without external investment, which will depend significantly upon access to (industrialized) type markets, I don't see how the structural adjustment programmes can ultimately be successful."

The Group's concern over market access has led it to make some of its most specific recommendations in this area. They include:

- **All rules of origin, anti-dumping and import restraint measures be applied in way that furthers, rather than impedes diversification.**
- **Elimination of all tariff escalation (raising import duties according to the degree of processing) affecting African products.**
- **High internal sales taxes (in West Germany, they are as high as 50 per cent on tea and coffee) on tropical products should be rapidly scaled down.**
- **The Multifibre Arrangement (which restricts textiles) should be phased out as rapidly as possible after 1991.**

The trade policies of industrialized countries are a contributing factor to the success or otherwise of the African commodity sector and to its diversification, the report argues. "We hope we will be able to promote a significantly changed attitude. I think it is critical to the ultimate success of Africa," Fraser says. ■

Democracy

from page 3

African Alternative Framework.

But instead of joining this vital debate on the suitability of prescribed economic reforms, continued Dr. Asamoah, the donors quickly "shifted focus ... to the lack of democratic reform as the primary constraint to development."

Other African leaders have pointed out another addition to the list of conditionalities, with the World Bank proposing that specific anti-poverty policies also be a pre-requisite for increased assistance. This toughening of conditionality is placed by African leaders in the context of the growing marginalization of Africa in international affairs. They point to the vastly different Western responses to the crises in the Gulf and in Liberia as an indication of the difficulties Africa will have in obtaining the attention of the major powers in the post-Cold War era.

The fear is that the increasingly hard-headed Western policy-makers are unlikely to pay attention to a region which is becoming more and more marginalized geo-politically and whose troubled economies seem less and less relevant to the growth of richer countries. The economic summits of the major Western powers, for example, have since 1986, when the UN recognized the imperilled state of African economies at its Special Session, always discussed or initiated measures to help Africa. But at this year's summit in Houston aid deliberations focused not on Africa but on the Soviet Union and Eastern Europe.

It is in this context that some African leaders have questioned the motivation behind the widening of conditionality. Nevertheless, most major aid donors are now actively putting their political concerns into practice, with Japan the latest to announce that political issues could influence future aid flows. The US was one of the first to make its concerns felt, telling Kenya earlier this year that future aid could be dependent upon governmental reform, as well as on human rights. At a conference in Washington in April, Mr. Herman Cohen warned that democratization could soon be a third conditionality governing the distribution of US aid, along with economic reforms and human rights.

At the Cabinet level, the UK's Douglas Hurd was the first Western official to link aid to democracy, in a keynote speech last June at an international conference in London organized under the auspices of the UN Africa Recovery Programme. Mr. Hurd strengthened this linkage in a major policy statement, published in September in the British journal, *Crossbow*.

"Poverty does not justify torture, tyranny. The first thing we can do is to introduce good governance and human rights into our regular aid dialogue and leave recipients in no doubt about our concerns," he wrote. "The principle of conditionality has been clearly laid down by the British government, by the European Community and by the USA," he pointed out.

Mr. Hurd spelled out the broad nature of the political reforms he had in mind. "Accountability must be a central plank.... This goes hand in hand with political pluralism and more *open* government."

"Donors should also look out for opportunities to support countervailing sources of power where it makes sense to do so," he added, emphasizing that "a concerted approach [was needed] by all major donors if we are to make a real impact."

Mr. Hurd also declared that "we do already insist on economic reform as the price of our aid," and that "free markets, open trade and private property are the best way known to mankind for improving its standards of living."

At the London conference where Mr. Hurd first raised his concerns, OAU Secretary-General Salim Salim articulated many of Africa's counterpoints to the new push towards political conditionality. "Africa is constantly reminded about the need to democratize," he said. "I agree ... but multi-partyism will not change the price of coffee, cocoa, cotton," he argued, "and our efforts at democratization will be

Africa needs a "second liberation"

At a week-long international conference in Mweya, Uganda, in May, 35 primarily African policy makers, academics, trade union and business leaders met to discuss the "State and the Crisis in Africa: In Search of a Second Liberation." The conference was sponsored by the Dag Hammarskjold Foundation of Sweden and addressed by Ugandan President Yoweri Museveni. It concluded that the central cause of the African crisis was the failure of the state structures to guarantee security for citizens, and to promote democracy and development.

So much so, said Mr. Dennis Akumu, the former head of the Organization of African Trade Union Unity, "that some of our people are referring to the period of colonial oppression as 'the good old days'."

As a result, concluded the participants, African countries were becoming further marginalized in the world economy; political leaders suffered from loss of legitimacy; and governments were carrying operational burdens that they could no longer afford. The extent of the crisis, therefore, indicated the limits of the socio-economic and political order that had characterized post-colonial Africa. But the conference was also of the view that the crisis contained the seeds of a new order.

The conference noted that although African countries, individually as well as collectively through the OAU and the Economic Commission for Africa, had taken many initiatives to reverse the crisis, little had been accomplished. There was increasing evidence that the African state, as currently constituted, was incapable of recovery from the crisis.

It was the view of the conference that a "second liberation" of Africa was needed in order to achieve a new political and economic order. Unlike the first, the second liberation required a transformation of both social structures and attitudes, said the participants, as well as increased popular access to state resources, and power for all citizens.

Recent trends in the world and African economies accentuated the need for action, the participants felt, as did expectations of decent behaviour by political leaders and the rising costs of violating civil liberties. Thus, the conference concluded, the conditions for political restructuring were more favourable now than they have ever been in Africa.

Professor Göran Hyden, a political scientist with long experience in Africa and the organizing secretary of the conference, said that the conclusions of the conference did not mean that participants expected the current African leadership to be swept aside.

Most of the continent's authoritarian leaders are rational enough to recognize that the forces for change are overwhelming and must be accommodated, he said.

hamstrung by the non-democratic international economic system ... which militates against our development," he warned (see fuller remarks opposite).

Many Africans, however, have welcomed the West's new position on anti-democratic rule. Well-known Nigerian academic Claude Ake, a Research Fellow at the Brookings Institution in the US, wrote recently that for too long donors had colluded in legitimizing autocracy on the continent. However, he pointed out that the donor drive for greater African democracy was being undermined by the very structural adjustment programmes of the World Bank and the IMF which are also a part of the web of donor conditionality. "These programmes have contributed a great deal to autocratic rule in Africa. As was the case in Eastern Europe, the Soviet Union, Brazil and Argentina, [such progammes] have to come after political liberalization, not before. The programmes engender so much hardship, they can only be implemented with consultation or consensus. Implementing them in Africa's autocratic systems has meant more coercion."

Professor Richard Joseph of the Carter Centre at Emory University is another supporter of the need to press for political reforms in Africa. However, he insists that criticism of African misrule can only be meaningful if donors and international financial institutions examine their own role "in shoring up regimes known by them to be highly repressive and corrupt," as he stated during July's international meeting on Africa at Maastricht in the Netherlands. He also criticized donor "demands for multi-party systems which overlook the complexities of democratization of authoritarian systems."

How forcefully the donors will actually press Africa to speed up democratization is uncertain. There is widespread recognition, on the one hand, that most African governments are ruling over restive populations bridling at years of unfulfilling austerity. Much of the current demand for greater political freedoms has been directly linked to Africa's economic crisis and the policies imposed to alleviate it. On the other hand, adding external pressure to pressing domestic demands for political liberalization could bring about the collapse of some governments, including those closely allied to donors, many observers have pointed out. Some analysts are therefore convinced that the new political demands will be selectively applied in Africa and will not be extended to more "strategic" regions of the world.

The coming period promises to be a turbulent one for Africa as it struggles with its economic crisis, reform programmes, political upheavals, and the new political conditionality. Pointing to the unrest and the growing doubts about the success of even the "model pupils" of the World Bank, such as Ghana, Michael Holman, Africa Editor at the *Financial Times*, wrote in August that "Africa is delicately poised between reform and further decline. ... The rules of foreign patronage in Africa are changing at a time of great instability there."

The change of rules, if pressed with vigour, could radically alter the political texture of the continent. ■

Link national, international democratization: OAU's Salim

An international conference on African prospects for the 1990s was organized under the auspices of the UN Africa Recovery Programme, UK's All Party Parliamentary Group on Overseas Development and the Overseas Development Institute at the House of Commons in London in June. The high level officials attending were; Mr. Douglas Hurd, UK Foreign Secretary; Mr. Tom Vraalsen, Norway's Minister for Development Co-ordination; former UK Prime Ministers Edward Heath and James Callaghan; Ann Clwyd, Labour Party Spokesperson on overseas development aid; Mr. Tim Lankester, Permanent Secretary in the UK Overseas Development Administration; Mr. Salim Salim, OAU Secretary-General; Prof. Adebayo Adedeji, ECA Executive Secretary, Mr. Kenneth Dadzie, Secretary-General of UNCTAD; Mr. Dieter Frisch, EC Commission Director-General for Development; and Sir William Ryrie, Executive Vice-President of the International Finance Corporation. At the meeting, Mr. Salim gave a comprehensive response to international pressures for democratization in Africa:

"Democracy is a fundamental right, an engine of liberation and a catalytic agent of human development. Democratization must involve not only the free and unfettered exercise of fundamental freedoms of expression, association, and political choice, but also the ability of all citizens to participate in the process of national governance. Political freedom will allow people to work harder. Political freedom will enable people to exercise their talents and responsibilities.

"But democracy is not a 'revelation.' How it is expressed, how it is given concrete form, of necessity, varies from society to society. Consequently, one should avoid the temptation of decreeing a so-called 'perfect' model of democracy and of exporting it wholesale or of imposing it on another society.

"More misleading is the emerging notion that multi-partyism, in a magical way, can bring about development. For no matter how many political parties an African state has or may have, that will not alter her economic fortunes. It will not change the price of coffee, cocoa, cotton, sisal or copper.

"I have chosen to comment on this thinking in various Western capitals and headquarters of monetary and financial institutions because I see it as a new conditionality for aid. This is diversionary and a device to introduce irrelevances.

"Africa is constantly reminded about the need to democratize. I agree with that. But the conviction inherent in my agreement would have been greatly enhanced had I been sure that if Africa did all this, development would be certain.

"As it is, I cannot foresee that assurance. To a considerable part, Africa is responding to international situations created by others; and quite often without much possibility to manoeuvre. Africa, in a very real sense, is a victim of an international order which is not that democratic or just.

"Democracy must also apply to the international system. This is a system created by the major economic nations, evidently to suit their priorities and interests. It is a system which not only ensures the dominant economic positions of these countries, but also the continued dependence of the developing world.

"But I want to suggest to you that while Africa must democratize, our efforts will be hamstrung by the non-democratic international economic system in which we operate and which militates against our development. Logically, I would have thought therefore that an argument for democratization of African societies would have been linked to the democratization of the international system; only such a synergy will work to pull Africa out of her current economic suffering."

Gulf

from page 1

are facing a similar predicament. With the cost of refined products escalating even more than the price of crude as a result of lost or re-directed refining capacity in the Gulf, the situation is particularly acute for countries without their own refineries.

A speedy resolution of the Gulf conflict — or more significantly, a release of the industrialized countries' large oil stockpiles — would ease, but not remove the threat to African economies. "It's unlikely that prices will fall below $25 a barrel in 1991," says Charles Constantinou, chief of the Energy and Resources Branch of the UN's Department of International Economic and Social Affairs (DIESA). This would still be some 40 per cent up on pre-August levels. UN officials estimate that with oil prices averaging $30 a barrel in 1991, a modest level under some scenarios, African importers will face a near doubling of their 1989 costs — to just over $4 bn, against nearly $2.2 bn last year (see graph). The extra oil bill alone would eat up some 10 per cent of export earnings in recent years.

IMF officials estimate that the costs to sub-Saharan oil-importers could amount to $2 bn by end-1991, even if oil prices have fallen back to $21 a barrel by then.

Economic slowdown

But with African primary commodity exporters facing the prospect of a more hostile external economic environment than expected, the overall impact of the Gulf crisis will be greater than just higher oil bills. UN and IMF estimates suggest that a protracted period of high oil prices would slow output in the industrialized world by some 0.5-0.75 per cent. With their output already predicted to fall to 2.4-2.6 per cent in 1990-91 from over 3.4 per cent in 1989, demand from developed markets is projected to be well down, particularly as some countries could fall into a period of recession.

African countries, therefore, are facing the likelihood of lower export earnings at the same time as rising import bills. The World Bank estimates that terms of trade for oil-importing developing countries would deteriorate by some 12 per cent if oil prices averaged $29 a barrel in 1991. This degree of deterioration for Africa as a whole was exceeded only once during the traumatic decade of the 1980s.

Africa's potential economic woes do not stop there. The World Bank is predicting that interest rates could rise by some 2 percentage points as a result of higher inflation in industrialized countries and increased demand for limited capital. This would not only raise the cost of whatever limited new borrowing African countries can obtain, but will also raise repayments on existing debt.

Given these additional factors and if prices stick at $29 a barrel, the World Bank says that some countries could lose the equivalent of 10-20 per cent of 1989 export earnings. Ghana would suffer losses of some $100 mn, Tanzania, some $110 mn and Kenya, $190 mn. For others, the loss would be even greater: Lesotho's projected losses of $30 mn would amount to 30 per cent of its 1989 exports while Somalia's losses of $40 mn would be equivalent to some 39 per cent.

Sudan faces the additional problem of lost remittance earnings, due to the departure of many of its nationals previously employed in the Gulf region. Sudan's losses in 1991 could amount to $150 mn, just under 20 per cent of 1989 exports. Lost remittances also affect Morocco, where total losses of $640 mn would amount to nearly 10 per cent of 1989 exports. Egypt, one of the new so-called Frontline States, is expected to be the biggest loser in the region, despite its oil exports. Estimates of its potential losses through to end-1991 vary between $2 bn and $4 bn, equivalent to 3-5 per cent of GDP.

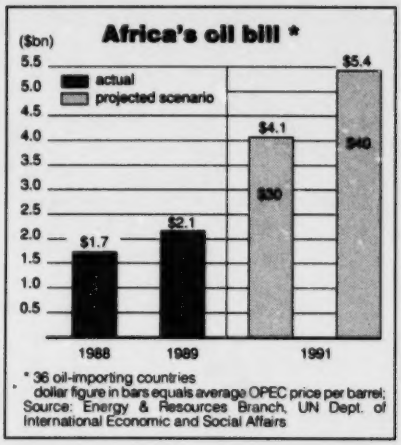
To avoid reaching the point where "continuance of recovery would be in serious jeopardy," a World Bank briefing paper says additional concessional assistance, as well as "more generalized relief of the burdens stemming from official bilateral debt," will be needed for the most seriously affected oil-importing countries of Africa.

Speaking to journalists in Washington at the end of September, Bank Vice-President for Africa Edward Jaycox reportedly promised that the Bank would not let any adjustment programme in Africa suffer from under-financing as a result of a protracted Gulf crisis. "Slower growth in Africa is unacceptable," he said. The initiative by the United Kingdom Chancellor of the Exchequer John Major also brings the prospect of deeper debt relief (see page 31).

Adjusting to higher oil prices

But donors emphasize that any additional funds must be accompanied by adjustment to higher oil bills. World Bank President Barber Conable warned African ministers on 22 September that "oil-importing countries will need to think about the additional adjustments that they will have to make in order to cope with increased energy prices," pointing out that the scope for increased or faster disbursing aid for Africa was more "severely limited" than for other

Kenya's Vice President and Finance Minister George Saitoti addressing the IMF/World Bank



regions, given the efforts already being made. At the annual meetings of the IMF and World Bank, donors warned against repeating the mistakes of the previous oil crisis by failing to pass on higher prices.

However, even if oil prices fall back to around $25 a barrel, African oil importers will face a resurgence of inflation. For Africa as a whole the IMF is still predicting a fall in the inflation rate next year to just over 13 per cent from some 16 per cent this year and 19 per cent in 1989. Higher oil prices could undo the progress made over the last three years.

Zambia's adjustment programme, approved by the Bank and Fund, had envisaged bringing inflation down from over 150 per cent last year to around 40 per cent this year. But Finance Minister Gibson Chagaga says the rate will probably now stay at around 70-80 per cent. This will not only adversely affect already falling living standards, but will also increase the pressure for a further devaluation of the kwacha, already heavily depreciated this year. Many other countries, such as Ghana, Tanzania and Zaire, face a similar problem.

Without additional sources of finance, African countries may also be forced to reduce oil imports. The IMF calculated that passing on the modest increases associated with oil at $23 a barrel through to end-1991 would cut consumption of petroleum products in oil-importing sub-Saharan Africa by some 30 per cent.

This would have a devastating impact on productive output in many African countries. Oil accounts for an average 70 per cent of commercial energy supply in sub-Saharan Africa and for a dozen or so countries it accounts for 100 per cent. With years of austerity already cutting import bills to the bone, lower oil volumes would lead to the closure of power stations, factories and mines and further hit transportation, DIESA's Charles Constantinou says. This in turn would translate into lower growth and a further downward slide in living standards for most Africans, already hit by renewed inflation and the austerity of recent years.

Limited additional funding

Zambia's Gibson Chagaga refuses to contemplate the prospect of lower oil imports. "It is very difficult for us to cut back," he told *Africa Recovery*, given the heavy dependence on oil of Zambia's copper mines, which generate some 90 per cent of export revenues. Like many other African finance ministers, Mr. Chagaga says he is busily seeking additional sources of finance. Having just secured pledges of $500 mn from donors to close the pre-crisis estimated financing gap for 1990, Zambia faces a particularly difficult task.

Despite efforts by the Bank and the Fund in particular to address the crisis, other African countries may also find the response inadequate to the scale of their problems. "Giving new loans to deeply indebted countries is no solution," one UN official comments. "They need special measures," he says, but warns that African countries may be "last in line" to secure the additional financing now being discussed. Mr. Conable even felt it necessary at the annual meetings to assure African countries that their 50 per cent share of the Bank's soft-loan affiliate, the International Development Association (IDA), was not under threat, despite an expected increase in demand from Bangladesh and India in particular.

Already prior to the Gulf crisis, the Organization for Economic Co-operation and Development (OECD) warned that change

Creditors propose deeper debt relief for Africa

Western creditors are actively considering debt relief measures which would substantially reduce the payments burden for many African countries. Following initiatives by the United Kingdom, France and the Netherlands, Paris Club officials confirm that they will urgently look at ways to improve on the debt relief offered under the Toronto terms agreed at the Western economic summit in 1988. This decision was taken by ministers at a September 23 meeting of the Interim Committee, the policy-making arm of the International Monetary Fund (IMF).

Renewed action on debt follows strong African criticism that the Toronto terms had proven totally inadequate. The most significant proposal was made by UK Chancellor of the Exchequer John Major at a meeting of Commonwealth Finance Ministers in September. Under the "Trinidad terms", the three Toronto options would be replaced with a single, more radical mix of relief on official bilateral credits. The main innovation is the proposal to tackle a country's total eligible debt in a single, long-term operation and not the current series of tranches which create an administrative burden for debtor countries and promote uncertainty over future repayment needs.

Major urged that debt relief be offered on two-thirds of a country's eligible debt, where Toronto offers only one-third. "This should be in the form of a write-down of the total stock of eligible debt", which would reduce both the interest burden and the debt overhang, Major told the joint IMF/World Bank Development Committee.

The UK scheme envisages a single rescheduling of remaining debt at concessional rates over 25 years, instead of the two other Toronto options of rescheduling remaining debt at concessional rates over 14 years, or a 25-year rescheduling at existing rates. Major also suggests capitalization of interest for the first five years, giving a further cash-saving to debtors, as well as phasing repayments in line with export capacity.

UK officials estimate the cash-flow benefits in the first year of the scheme at $2.7 bn for the 19 countries (17 of them African) presently enjoying Toronto terms, compared with the $1.8 bn currently saved. In total, the official debts of the 19 would be reduced by some $18.3 bn. Implementation of a World Bank/IMF-approved adjustment programme would remain a criterion for eligibility.

Other proposals include the call by Dutch Development Co-operation Minister Jan Pronk for cancellation of all development debt for the least developed countries.

French President François Mitterrand announced at the Franco-African summit in La Baule in June the halving of interest charges to 5 per cent on development debt owed by four middle-income countries — Cameroon, Congo, Côte d'Ivoire and Gabon — saving them some $47 mn in annual debt service.

Mitterrand's attempt to further the cause of the middle-income debtors at the Western economic summit in Houston in July met with limited success. The leaders only promised to offer slightly longer repayment terms. Congo and Morocco have recently been given 15 years' to repay their official loans — as well as 20 years on development debt. Although well up on the previous 10-year terms, this improved only marginally on the 14 years granted to Côte d'Ivoire at end-1989.

in Eastern Europe had intensified competition for both capital — with a consequent upward pressure on interest rates — and aid. Recent reports by both the UN and OECD show the inadequacy of recent financial flows to Africa: well below the target of an additional $5 bn a year over 1986-87 levels for sub-Saharan Africa (excluding Nigeria) recommended in 1988 by the UN Secretary-General's Advisory Group on Financial Flows for Africa (known as the Wass Commission). Africa's prospects for economic improvement and access to financial resources were already looking grim, DIESA's *World Economic Survey 1990* comments.

Compensatory measures

The UN Conference on Trade and Development has called for the establishment of an international compensation fund, financed in part by oil exporters out of windfall profits from higher oil prices, to alleviate the impact of higher energy bills on developing countries. Western donors, along with some Gulf states, are discussing the establishment of a $13-15 bn fund. Much of this effort concentrates on 10 of the most immediately impacted countries (MIICs), which usually include Egypt, Morocco and Sudan, though the latter's support for Iraq may in part condition how much help it gets. How much, if at all, other seriously affected countries could benefit from this initiative remained unclear at end-September.

Both the Bank and the IMF have reacted favourably to the call of finance ministers in the organizations' joint Development Committee "to respond promptly, flexibly and with expanded resources" to meet the current crisis. IMF Managing Director Michel Camdessus has indicated that countries would be allowed to borrow more from both the Fund's regular facilities and from the concessional Enhanced Structural Adjustment Facility. More use could also be made of the IMF's Compensatory and Contingency Financing Facility. Where the cost of borrowing from the Fund's main accounts may be too high for some countries — interest rates are presently over 9 per cent — Mr. Camdessus has suggested a special subsidy account to lower rates.

Senior IMF officials acknowledge that in oil-importing Africa, many of the Fund's programmes will have to be "modified" as original targets become unattainable in the light of a radically altered external picture. Both Mr. Camdessus and Mr. Conable, however, have issued warnings that the increased aid flows now being contemplated or any greater flexibility in operations must not be allowed to undermine the longer-term adjustment and development programmes now underway in many countries.

The World Bank is prepared to accelerate disbursements to affected countries. A special fund to help with the resettlement of returning workers, which could benefit several North African countries in particular, is being established. If the crisis is extended into 1991, Mr. Conable has indicated that the Bank would consider setting up another fund separate from the IDA to assist "a broader range of affected countries."

Lower oil volumes would lead to the closure of power stations, factories and mines and further hit transportation.

The Bank will be making renewed efforts to secure extra financing for Africa when it holds a meeting with donors in Washington at the end of October to pledge funds for the second phase of its Special Programme of Assistance for Africa (SPA-II). The programme is designed to generate a wide range of general budget support for lower-income "debt-distressed" countries in sub-Saharan Africa which are undertaking structural adjustment programmes.

Donors have already agreed to extend the original three-year programme, which expires at the end of 1990, for a further three years. At present, the Bank has no plans to increase its pledging target of $8 bn for the meeting. This is already an increase of one-third on the $6 bn expected to be disbursed under the bilateral co-financing programme in SPA-I.

Disbursements under SPA-I are expected to total $18 bn. For SPA-II, Bank officials have tentatively targeted disbursements of $22.5 bn, though this amount is dependent upon the number of eligible countries. This officially now stands at 23.

Targeting under SPA-II assumes an improved debt relief package for eligible countries, as well as continued disbursements from the IMF of some $1 bn a year. The October meeting will provide an important indication of the willingness of donors to further increase aid to Africa in the face of rising demands elsewhere.

If the price of oil fails to come down significantly early in 1991 the World Bank, as well as the IMF, can be expected to return to donors — including the larger oil exporters — for more money, not only for the rather limited number of SPA countries, but also for the majority of African countries. ■

Boost for African oil exporters

The IMF has not changed its growth projections for African countries of 3.2 per cent in 1991, up from the 2.7 per cent expected for the current year. This in part reflects the blurring of the impact of higher world oil prices on the continent as a whole, with the losses of the oil-importing countries offset by the gains made by a handful of oil exporters. These countries — Algeria, Angola, Cameroon, Congo, Gabon, Libya, Nigeria and Tunisia — are enjoying a much-needed boost to flagging export earnings.

Algeria could earn an extra $700 mn this year, Economy Minister Ghazi Hedouci says. Nigeria alone could find its export earnings this year rising by as much as one-third over last year's $9 bn as a result of a combination of increased output and higher prices. The World Bank estimates that the oil boom could raise Nigeria's GDP per capita to around $350 from $300 at present. But it goes on to point out that not only is this still low, but it remains well below the early-1980s level of over $1,000. The gains from oil prices thus may make only a modest contribution to rebuilding the living standards lost by Africa's oil exporters in the lean years of 1984-88.

IMF officials warn that any oil gains must be spent wisely. "They must be used to deepen the adjustment process — paying off arrears, building up of reserves — and not for reinforcing the original factors in overspending," one senior official told *Africa Recovery*.

Nigeria is already facing heavy pressure from bankers to pay its commercial debt arrears, and can expect less favourable terms on future reschedulings, now under negotiation. Efforts to win Toronto terms from official creditors, already in difficulty, are now highly unlikely to succeed, officials believe. Algeria has announced that it will use $600 mn of its oil profits to pay off arrears to international creditors.

AFRICA IN BRIEF

Bank boost for social sector

The World Bank substantially increased lending to the African social sector in its last financial year, ended 30 June, although overall lending to the sub-Saharan region was static, at just over $3.93 bn, after a 34 per cent increase the previous year. With a renewed emphasis on project — or investment — lending, loans in support of adjustment programmes fell to $1 bn from $1.28 bn the previous year.

Net transfers to sub-Saharan Africa — gross disbursements by the Bank minus repayments to it — have continued to improve. Net Bank funds into the region totalled $1.26 bn in 1990, compared to just under $877 mn the previous year.

Education, population, health and nutrition took $583.4 mn of Bank lending, or nearly 15 per cent of the total. This compares with $169.5 mn, or 4.3 per cent, the previous year. Lending for agriculture and rural development was also up, at $997.4 mn, and took the largest share (25 per cent) of project finance. Lending for transportation was also sharply up, more than doubling to $543.6 mn.

The decline in adjustment lending reflects concern that too great an emphasis on it could affect the ratings for the Bank's own borrowings, since capital markets often perceive it as riskier than projected-based lending. Bank officials have also indicated that adjustment's share of its Africa portfolio could be expected to fall as more and more countries move successfully from the early stages of adjustment — with its heavy emphasis on policy reforms — to a greater concern for investment.

During 1990 the importance of the Bank's soft-loan affiliate, the International Development Association (IDA) was further emphasized. IDA now accounts for over 70 per cent of Bank lending to sub-Saharan Africa, compared to an average of under 60 per cent in the first half of the 1980s. ■

UNICEF/Maggie Murray-Lee

Assuring access to clean water is one area benefiting from higher World Bank lending.

IMF lending rises sharply

Lending by the International Monetary Fund (IMF) rose sharply in its latest financial year, ending 30 April. Total commitments were up by more than 200 per cent to SDR11.3 bn ($15.6 bn) from SDR4.6 bn ($6.3 bn) the previous fiscal year and SDR3 bn ($4.1 bn) in 1987/88.

Lending from the Fund's concessional arms, of particular interest to most African countries, the Enhanced Structural Adjustment Facility (ESAF) and its earlier version, the SAF, fell, however, from SDR1.4 bn ($1.9 bn) in 1988/89 to SDR460 mn ($635 mn) in 1989/90. Officials point to the lack of applications for concessional funds, while others point to the continuing tightness of ESAF conditionality.

Disbursements from SAF and ESAF arrangements helped boost the total flow of funds to Africa in 1989/90 from just over SDR700 mn ($966 mn) the previous year to SDR1.3 bn ($1.8 bn). But with repayments still heavy, the net transfer of funds to African countries was virtually zero. Fund officials, however, hope this position will gradually improve as lower repayments over the next two or three years, resulting from the low commitment levels of 1986-1989, combine with a steady expansion in new lending.

Fund activity in Africa has already picked up this financial year, with some $460 mn in new lending agreed for Central African Republic, Chad, Congo, Lesotho, Madagascar, Malawi, Mozambique, Morocco (a $134 mn stand-by arrangement), Niger and Uganda, plus some $34 mn in compensatory financing for Côte d'Ivoire.

In a separate development, the IMF took a further a step towards expelling Sudan from the Fund when it declared the country to be in non-co-operation on 14 September. ■

Nyerere presents report of South Commission

After three years of deliberations, the South Commission, a body of prominent individuals from all the developing regions and chaired by former Tanzanian President Julius Nyerere, issued its report in early August.

The report asserts that a resolution to the development crisis can only come through significantly enhanced co-operation among the developing countries themselves. But more equitable and just international economic relations, for which it advances proposals, were also essential for progress in the South.

Speaking during a 21 September visit to the United Nations, where he presented the report to a meeting of the developing countries' Group of 77, Mr. Nyerere said, "The North is organized, the South is not. Only by increasing our own strength, our own unity, will we revive the North-South dialogue" and be able to press the developed countries to negotiate more seriously on such issues as debt and unfair trade practices.

"The New International Economic Order is still needed," Mr. Nyerere said, emphasizing that all countries should be bound by international law and follow fair economic practices. "The rule of the jungle supports the powerful."

Mr. Nyerere acknowledged that one major area of weakness in parts of the South is the absence of democracy. ■

Strengthening Africa's human resources

Donors have pledged some $55 mn towards a $100 mn fund to strengthen Africa's human and institutional capacities. The African Capacity Building Initiative (ACBI), launched by the African Development Bank, UN Development Programme (UNDP) and the World Bank at a meeting in Paris in June, is designed to increase African countries capacities in policy analysis and economic management.

Increased training will be one important element, while donors will also strive to improve the co-ordination and focus of their technical assistance.

A director is now being appointed to oversee ACBI's operations, which will initially run for four years. ■

AFRICA AGENDA

UPCOMING EVENTS

15 November, United Nations: Women's Initiatives in African Food Security: The Link between Micro Activities and Macro Policies, is the theme of a symposium organized by the Advocates for African Food Security, a coalition of non-governmental, United Nations and government agencies working towards "lessening the burden for women."

17-20 March 1991, Oxford, England: Responding to the Nutrition Crisis of Refugees: The Need for New Approaches. This international symposium, organized by the Oxford University Refugee Studies Programme and nine other academic, non-governmental and UN agencies, will focus on Africa in discussing refugee nutrition problems with a view to practical solutions.

WHAT'S TAKEN PLACE

13 April, New York: "SAP, Multilateral Imperialism and African Strategies for Development". Speakers at this Columbia University Institute of African Studies seminar, included Ehiedu Iweriebor (on Nigeria), Bonnie Campbell (on Côte d'Ivoire), and Judith Marshall (on Mozambique).

14-25 May, Washington, DC: Collaborative Approaches Seminar on Structural Adjustment and Long-Term Perspectives for Sub-Saharan Africa. Organized by the World Bank's Economic Development Institute and the Japanese government, this seminar gathered representatives from 13 African countries, the European Community, and UN agencies .

4-7 June, Nairobi: Conference on African Economic Issues. Over 100 economists, more than half of them African, attending this World Bank and African Economic Research Consortium conference heard speakers addressing Africa's economic and research priorities, including poverty and the environment, exchange rates and domestic resource mobilization.

11 June, Dar es Salaam: "Women and New and Renewable Sources of Energy" was the subject of a five-day national training seminar held by the UN International Research and Training Institute.

David Bourke

Ghanaian entrepreneur Dr. Esther Ocloo (centre) and former Nigerian head of state General Olusegun Obasanjo, the 1990 Hunger Project laureates, seen at the late September award ceremony in New York with its master-of-ceremonies Andrew Young (left), former Mayor of Atlanta. Hunger Project global executive director Joan Holmes (standing beside Mr. Young) said Dr. Ocloo had "expanded the frontiers for women's participation throughout the developing world" and was a "model for all those striving to produce creative solutions to the problems of hunger and poverty." Ms. Holmes described General Obasanjo as a "true champion for the end of hunger and a leading international spokesperson for the future of Africa."

AFRICA BOOKS

NEW ON THE SHELVES

The Paris Club: An inside view, David Sevigny (North-South Institute, 55 Murray Street, Suite 200, Ottawa, Canada K1N 5M3; 1990; $12) is a basic, 42-page guide to this forum in which creditor countries deal with the official public debts of individual countries.

Enough Is Enough: Open Letter of Resignation to the Managing Director of the International Monetary Fund, Davison L. Budhoo (New Horizons Press, 777 United Nations Plaza, New York, NY 10017; 1990; $19.50). This is a detailed critique of IMF policies and practices in developing countries by a Grenadian economist who worked for 12 years at the Fund, including a stint as IMF Resident Representative in Guyana.

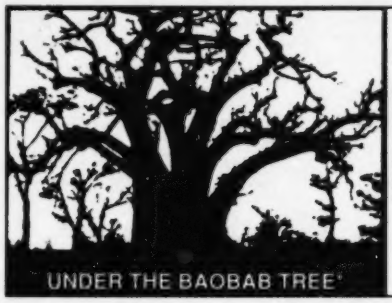
Financial Policies and Development, Jacques J. Polak (Organization for Economic Co-operation and Development, OECD, Paris, 1989, $29.50, £17), reviews economic development since 1950, savings and investment policies at domestic and international levels, as well as financial flows and the policies of the IMF and the World Bank, and ends on the debt crisis, with analytical guidelines for its urgent solution. The author, is a former principal adviser to the IMF managing director.

The Food Question: Profits Versus People?, edited by Henry Bernstein, Ben Crow, Maureen Mackintosh and Charlotte Martin (Earthscan, London, 1990; £7.95). Through 16 articles, the authors discuss food aid politics, class and gender issues in relation to agribusiness and structural adjustment, biotechnology, and also provide a useful bibliography and organizational contacts.

Recycling Japan's Surpluses for Developing Countries, Terutomo Ozawa (OECD, Paris, 1989, $19, £11). Japan has become within this decade the world's biggest creditor and net exporter, with nearly $300 bn in net foreign assets (mostly in the US), and an annual trade surplus of $100 bn. Reviewing current and proposed methods of deploying its financial surpluses, the author says Japan's strategy is to recycle not only surplus capital but also surplus industrial capacity to suitable host countries, with impressive co-ordination between official aid and direct private investment.

Growth and Structural Change in East Africa: Domestic Policies, Agricultural Performance, and World Bank Assistance 1962-86, Parts I and II, Uma Lele and L. Richard Meyers (World Bank, Washington, 1989; $6.95). This third title in the Managing Agricultural Development in Africa (MADIA) series of discussion papers looks at policy and performance in Kenya, Malawi and Tanzania, as well as the progress of reform in the Bank's own policies.

Economics of Dryland Management, John A. Dixon, David E. James and Paul B. Sherman (Earthscan, London, 1989, £14.95). Over 20 per cent of the world's population lives in dryland areas, where productivity is limited and which are too rapidly and needlessly becoming deserts. This book analyses decision-making at local and national levels with a view to halting the rate of desertification by harmonizing resource management and long-term development with economic gain.



DEMOCRACY AND DEVELOPMENT

DJIBRIL DIALLO

The dust has finally settled in the wake of Nelson Mandela's visit to the United States of America. And what a visit it was! Never in recent history has a foreign dignitary, let alone an African just released from a prison cell, been feted in this way. Mandela was justifiably received as a hero by all Americans.

One scene comes to my mind whenever I think about that memorable tour. It occurred during the rally in New York's Harlem, long regarded as the unofficial capital of black America. It was Winnie Mandela and Betty Shabazz hugging each other, in tears, when Winnie suddenly discovered that Betty was none other than Mrs. Malcolm X.

Betty had just been called upon to make a presentation to Mrs. Mandela. By way of introduction she told the crowd that she was Malcolm X's widow, upon which Winnie Mandela embraced Betty and almost collapsed.

It was an emotional meeting of two sisters-in-arms whose struggle symbolizes the enduring fight for freedom, justice and equality on the part of Africans and people of African descent.

I saw Mandela a few weeks later, this time at the OAU summit in Addis Ababa. He looked exhausted and drained. The gruelling North American and European tour had definitely taken its toll on the world's most famous freedom fighter.

I must admit that I did not believe Mandela would make it to Addis after the impossible schedule he had been through, particularly in the US. Mandela, however, insisted on going to Addis to say thank you to the Pan-African body which had done so much for the liberation struggle in South Africa.

Mandela insists

What an incredible man, that Mandela! He has come to symbolize so many hopes and aspirations for Africa. No wonder the year of his release has coincided with the most interesting debates about the future of the continent. At the centre of the debates is the growing call for democratization of African nations.

And where else to gauge one African perspective, that of the leaders, than at the OAU summit? Those of us who attended this year's summit were spoiled by the depth and breadth of the arguments, which centred mainly on popular participation in the process of national governance.

Another indication of positive movement at the OAU has been the support which Africa has given to the United Nations Convention of the Rights of the Child. Although it explicitly addresses children's needs, the treaty also implicitly affirms many rights of adults as well. If one asserts the right of the child to receive information and to hold beliefs, for example, one must assume that these freedoms do not cease once the child attains adulthood!

Salim Salim, the OAU Secretary-General, warned that Africa was at a crossroads between greater marginalization on the world scale and an opportunity for self-assertion. "There cannot be development without democracy and respect for human rights", was an often repeated sentence. The combination of Salim Salim and President Yoweri Museveni of Uganda (as new OAU Chairman) elevated the debate to new heights in OAU circles. "We should not practice dictatorship under the guise of independence because independence does not mean dictatorship," Museveni said.

Sitting there that day I could not help but feel a certain sense of encouragement over what I was hearing. Now I recognize that I am treading on thin ice when it comes to saying something positive about statements of that nature at the OAU.

I can already hear critics like Edem Kodjo, the former OAU Secretary-General, reply, as he did in an African weekly magazine, that it has all been said before, to no avail.

Kodjo likes to quote from as far back as the 1979 OAU summit, reminding fellow Africans that the African body was already making similar statements. I wish Kodjo had been in Addis this past July. He would then agree with me that things were perhaps different this time.

There was a sense that Africa was in the middle of the second phase of its liberation, the first being the struggle against colonial domination. More than before, leaders were looking critically at themselves, at the systems of governance they have applied so far.

Democratic rights

The summit "committed African leaders to introduce democracy according to each country's situation." Behind this statement is a rejection of what some leaders perceive as attempts by some industrialized countries to impose their brand of democracy on Africa. At issue was the multi-party democratic system.

Museveni, a defender of mass democratic movements within a single-party set-up, caught the imagination of fellow leaders by comparing democracy with water: "Water has three forms: it can be liquid; it can be vapour; it can be solid (ice), but it is, nonetheless, water." Museveni argued that it should be left to him to decide what type of water he wants, depending on his needs. "I will not accept anyone dictating to me that I should drink vapour because it is water, scientifically speaking", he insisted, adding that "it is erroneous for some quarters to try and impose forms of political organization on the African people; whether we should use the strategy of democratic mass movements or multi-parties should be the business of each country."

If we are not to be lost in fine definitions of the process of democracy, what we must talk clearly about is: the degree of political pluralism, of public accountability and of respect for human rights. However, some observers in Addis felt that the summit did not go far enough in the analysis of that process.

Archbishop Desmond Tutu has also had something to say to African leaders. In a memorable lecture at Oxford University, he berated leaders of independent Africa for their poor performance. "To many ordinary Africans", said Tutu, "the only change that they have experienced since independence is in the complexion of the oppressor."

He added that there was much more tolerance in traditional African societies than in modern African politics: "When you differ from someone, if you don't agree at every point with him, that is taken to mean you are his enemy, but this is not traditionally African," insisted Tutu.

"In traditional Africa, a chief was a good chief because he could work out a consensus, and the consensus arose because people had different points of view. I have to confess, that is a fundamental weakness that we have at the present time."

**The African Baobab is one of the world's hardiest trees, thriving in even the most arid environment. It is also the tree under which some Africans traditionally meet to decide issues of common concern.*

The 71 world leaders and UN Secretary-General Javier Pérez de Cuéllar at the World Summit for Children. In the centre are Co-chairmen President Moussa Traore (Mali) and Prime Minister Brian Mulroney (Canada) to his right.

AFRICA WATCH

World leaders put children on political agenda

In the largest gathering ever of heads of state, 71 world leaders assembled at the United Nations on 29-30 September for a world summit on children. For so many heads of state to congregate at the United Nations on issues as obviously vital as disarmament or peace-making would have been remarkable enough. But to have done so for children is a tribute to how UNICEF has been able in the last decade to move that issue from being merely a humanitarian and social concern towards being a central element in all political and economic policy-making by governments. Approximately 40,000 children die from preventable causes every day in the developing countries, of whom 15,000 are in Africa.

The world leaders were in New York to show their governments' recognition of the importance of children in the overall development of their nations. More specifically, they finalized the World Declaration on the Survival, Protection and Development of Children, and the Plan of Action. The Convention of the Rights of the Child had been ratified by a sufficient number of countries to have already come into force on 2 September.

A fuller report on the summit's Plan of Action will appear in our next issue.

AFRICAN TRADE

Africans charged more for imports

African countries are paying much more for imports of the same manufactured goods than other developing countries, a recent study by the World Bank concludes. Looking in detail at imports from France of a sample of iron and steel products by 20 former French colonies between 1962 and 1987, the study concludes that on average they paid a premium of some 24 per cent compared to the prices paid for similar products imported from France by other developing countries.

According to the study, "Do African Countries Pay More For Imports? Yes," the present value of total losses from paying such premium prices over 25 years was close to $900 mn. If a similar pattern holds for all iron and steel shipments from France, losses to the 20 countries would total $2 bn — more than the long-term debt of 12 of the former colonies in 1987, the study says.

Another study carried out on imports of iron and steel products by former colonies of the United Kingdom, Belgium and Portugal found a similar pattern. Belgian colonies paid, on average, premiums of 23 per cent; former UK colonies, some 20 per cent. For Portuguese colonies, premiums escalated sharply after 1975, largely, the author suggests, as a result of the perception of risk following hostilities in Angola.

Writing in the June issue of *Finance & Development*, the author of the study, Alexander Yeats, says that "the overpricing appears to stem from the lack of vigorous competition in their import markets." This finding, he goes on to argue, "raises serious questions about the institutional arrangements that continue to characterize trading relationships between some developed and developing countries."

Restrictive trade practices, tied bilateral aid and rules of origin clauses could all be factors behind such premium payments, the author says, as well as transfer pricing practices by transnational corporations, special marketing problems and overall market size. Such conditions mean that African countries are not receiving the full benefits that, in theory, trade can provide in fostering economic growth and development.

Given the possible import of these findings — increased trade is a major plank in the World Bank's suggested strategic priorities for achieving sustainable growth in Africa — a series of country specific follow-up studies is planned to determine the precise reason for such overpayments. ■

DEVELOPING COUNTRIES

Group of 15 for policy co-ordination

A "Group of 15" developing countries was inaugurated in June following an initiative of the Non-Aligned Movement and the South Commission to improve policy co-ordination between developing nations on the lines of the industrialized countries' Group of Seven. The African G-15 members are Algeria, Egypt, Nigeria, Senegal, and Zimbabwe, while Argentina, Brazil, India, Indonesia, Jamaica, Malaysia, Mexico, Peru, Venezuela, and Yugoslavia comprise the rest.

During its 1-3 June inaugural meeting in Kuala Lumpur, Malaysia, the Group called for financial experts from member countries to prepare a common approach to debt problems. It recommended more comprehensive measures to reduce the debt stock of all categories of debtor nations, and instead of punitive measures, advocated a positive approach to developing country arrears with multilateral financial institutions. ■

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